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THE HONOURABLE BILL BARISOFF, SPEAKER

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SECOND SESSION, 38TH PARLIAMENT

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TUESDAY, MAY 9, 2006

The House met at 10:02 a.m.

Prayers.

Orders of the Day

Hon. G. Abbott: I was craning my neck around the gallery to see if I could introduce anyone, but there wasn't anyone at that moment. I'll just introduce the business of the day.

In this House, I call continued estimates debate for the Ministry of Health. In Section A, I call continued estimates debate for the Ministry of Transportation.

Committee of Supply

ESTIMATES: MINISTRY OF HEALTH
(continued)

The House in Committee of Supply (Section B); S. Hammell in the chair.

The committee met at 10:06 a.m.

On Vote 35: ministry operations, \$11,767,963,000
(continued).

D. Cubberley: Morning, all. We had a restful night after an interesting set of interactions yesterday.

We had a couple of tag ends around the question we were canvassing last night around post-op physiotherapy consequential upon a joint-replacement operation. I'd like to return to that for a little while before going into Pharmacare questions, if we could.

Just for context, because I didn't have it, approximately how many joint-replacement operations will we do this year? And what's the approximate cost of a hip versus a knee in British Columbia? I'm looking for an approximate.

Hon. G. Abbott: First, let me introduce the staff who are with me today. On my right again is Deputy Minister Penny Ballem; on my left is Assistant Deputy Minister Manjit Sidhu; for the first time in the Legislature, our new assistant deputy minister for the Pharmacare area, Bob Nakagawa. Rebecca Harvey is with us as well.

We are still attempting to assemble the best number we can around the number of hips and knees that are done annually in the province. I mentioned yesterday that we are up about 65 percent for knees and about 35 percent for hips over what we were doing four or five years ago. Additionally, there are 1,600 incremental surgeries that will be performed at our new UBC centre for those surgical specialties.

We're looking at the overall, which I have here now: the hip replacements, 3,911 in '04-05, so that would probably be the comparable number for this year; knee replacements, 4,834. As I noted, if you can consider those 1,600 incremental to that, it gives you a

sense of the numbers that we're working with on hip and knee replacements.

[1010]

Again, there is going to be some modest variation among facilities in respect of the cost of these joint replacements. Whether it's a hip or a knee, the best estimate would be in the \$13,000-to-\$14,000 per-procedure cost. That is a cost which includes the cost for rehabilitation.

D. Cubberley: In saying that it includes the cost of rehabilitation, is the minister adding that on as...? Is that the hospital component of rehabilitation, or is that the full course of treatment required to bring someone to full function?

Hon. G. Abbott: It's the full course of treatment.

D. Cubberley: We were canvassing the question of whether the out-patient physio rehabilitation for people who have received a joint replacement was delisted in the first term in office, along with other forms of physiotherapy that were delisted. So the question is: was it? Would it previously have been covered as physiotherapy?

Hon. G. Abbott: Consistent with the discussion on this issue last night, once the patient moves from in-patient to out-patient, then typically there would be a transition to the current model under MSP, which is that depending on what their economic circumstances are, they may be carrying all or a portion of the costs of physiotherapy in the out-patient circumstance.

With the new centre, there is some work being done in respect of.... Because we will see patients from around the province going to UBC for that procedure, there is an attempt being made to look at out-patient physio for those patients as well, because they will in many cases be getting the hip or knee surgery done outside of their home health authority.

D. Cubberley: Just to clarify, was it delisted in the first term in office? Was physiotherapy, the portion of it that takes place outside of the hospital, funded and then delisted?

Hon. G. Abbott: We canvassed this point last night. It's not been a secret that since January 2002, there were some changes made in respect of the coverage of that issue. But again, just so we're very clear, the physiotherapy was never fully funded under MSP. It has always been a co-payment model. Again, the coverage for low-income British Columbians continues.

D. Cubberley: I take that to mean it was covered previously, that it was delisted along with other things. Whether there's a co-payment involved or not, the access to it then is income-specific rather than it being a listed service and recognized as part of completing a course of treatment to return to full recovery after a hip operation or a knee replacement. The minister can correct me if I'm wrong in that, and we'll pursue it further.

[1015]

I just wanted to come back to the fact that we appear to have drawn a line where we're saying that physiotherapy that takes place for an in-patient while in hospital is covered, and the part of it that takes place afterwards is not part of a medically necessary course of treatment.

I just want to read something which came to my attention. This is regarding the in-hospital portion of it. This is Paula Brook writing about her operation. She says: "This is what I received when I underwent hip surgery two years ago" — this is the in-patient physio — "two 15-minute sessions with an occupational therapist in hospital, during which I was taught how to walk with crutches, and a list of simple exercises to do at home." Her comment: "Luckily, I could afford private physiotherapy, which saw me up and active within a few weeks."

I think what she's saying is that most people are being sent home with crutches and little more than a sheet of exercise guidelines as a formula for how they are going to come back to full function, post-joint replacement. I would like some comment on that.

Is this the view that we take? We invest in an operation at a \$13,000 or \$14,000 cost to the public health care system, which has the potential to return a patient to full mobility. Then we give them, in terms of post-op rehab, two 15-minute sessions to teach them how to walk on crutches and a sheet of exercises that they do at home by themselves. That is how we complete the investment in that operation.

Hon. G. Abbott: The member seems intent on summarizing this in an unsatisfactory way, so I will try it once again.

Under the Canada Health Act and the Hospital Act, all hospital-based services are covered, in terms of the full cost, by the public. When we move into an out-patient setting, it changes. As I have noted previously, there has never been full public pay for physiotherapy in the out-patient setting. There has always been co-payment on that. Regardless of what government was in or what year you want to choose, there has always been co-payment.

There was a change made in January '02 in respect of that, which saw the subsidy reduced. The subsidy remains in place for low-income British Columbians; it does not for higher-income British Columbians. That is the issue.

[1020]

In terms of how we manage post-operative hip and knee replacements, we have lots of work ongoing to ensure that, in fact, best practices are followed around ensuring that we have the best outcomes for hip and knee procedures. Under the OASIS model, which we talked about last night, OASIS being an acronym for the efforts around orthopedic initiatives....

B.C. Arthritis Society is engaged in the OASIS model development and is conducting, with the health authorities, an inventory of community services available. Plans are underway for the implementation of the

OASIS model in four Vancouver Coastal Health centres in '06-07. As well, Vancouver Coastal Health is planning an education day with health authorities in May to discuss the OASIS model and to find core components from a provincial perspective. Several health authorities are intending to start reduced but parallel implementation to Vancouver Coastal Health, given the orthopedic interest.

What all that says is that, of course, we have the strongest interest in ensuring that every British Columbian who has the opportunity to have a hip and knee replacement can move towards the best possible outcomes from those procedures. Again, I had a sense — perhaps I'm wrong — that the critic was speaking disparagingly of the recommended exercises that were provided to the patient.

Perhaps I'm wrong, but clearly once people have a hip and knee procedure, they need to walk, they need to be active, and they need to do a range of exercises which are laid out for them by the physiotherapist in the hospital. That is often key to the best health outcomes. That having been said, the OASIS project is going to ensure that in terms of its value-added, we build a best practices component around hips and knees to ensure that people do get the best possible health outcomes.

D. Cubberley: With the greatest of respect, I wasn't disparaging the exercises. I was trying to focus on the fact that there is substantial medical and anecdotal evidence to indicate that completing a post-op rehab course in physiotherapy allows people to return to full function and that the exercise program may not be able to do that in all cases in and of itself.

I think there is some very good evidence out there, if the ministry is monitoring outcomes, to indicate that older and sicker people would have difficulty achieving full recovery based on the exercise program and a set of instructions handed to them when they leave the hospital. The likelihood of that occurring, and I think it's just intuitively obvious, is lower than it would be if they were involved in a regime of physiotherapy.

What I'm really concerned about isn't scoring points here. I'm trying to get at the fact that there may be a significant gap in the way that we are dealing with a substantial investment in rehabilitation of patients. We are trying to bring them back to full independence and full mobility. That's why we invest in joint-replacement operations.

We're supplying a very expensive operation. To my mind, going down the path of supplying the operation and investing that amount of money and then shorting patients when it comes to a necessary course of rehabilitation to optimize this investment would appear to be shortsighted. It may be other things as well, but it's simply financially imprudent to invest that much money in a patient and then not bring out the full potential of the investment, which is to prevent the patient from having premature decline or from not reaching full mobility.

There are some very interesting aspects to all of this. One of them, I understand, is that if you are one of

those patients who go through this operation in Vancouver, for example, and your doctor refers you and there is a space available, you can get one of the 40 spaces a month at the Mary Pack Arthritis program for post-op joint replacement rehab. It will be covered by MSP. I would like the ministry to tell me what its position is on that. Apparently, if your doctor refers you, you can get it in one of a limited number of spaces in a specific program.

[1025]

The question is: can you confirm that? If so, by extension, why would a doctor's referral, given to any patient for post-op rehab, not qualify them for MSP funding in other parts of British Columbia?

Hon. G. Abbott: In response to the member's question, which I thank him for, the Mary Pack Centre is a longstanding partnership with the B.C. Arthritis Society. It's a tertiary referral centre under Vancouver Coastal Health. It is globally funded. It is, typically speaking, for patients in a postoperative situation from hip or knee replacement, who often have complications with complex inflammatory arthritis. In those cases, where one has an arthritis layered on the hip or knee replacement, postoperative care is far more complex. Typically, a routine postoperative patient from hip or knee replacement would not be referred to Mary Pack. It is for those more complex conditions.

Again, I want to emphasize that the OASIS project is aimed broadly at folks who have had hip or knee replacements. We will be working across the province to ensure that those who have postoperative needs from hip and knee replacements have the opportunity to enjoy all that we can from a best practices model that we are developing through the OASIS project. We're going to be not only providing more timely and a greater number of hip and knee replacements but also ensuring that there are clearly established best practices for postoperative care.

D. Cubberley: I thank the minister for his comments. I would like to leave this topic in a moment and move into Pharmacare. But I would leave one comment — suggestion — to the minister and the ministry, which I think would be very worthwhile pursuing, which is to have the province actually monitor a subset of patient outcomes to try to determine what percentage of people leaving hospital with crutches and exercise instructions are returning to full mobility and independence without physio rehabilitation.

Develop an estimate of what percentage of patients do not involve themselves in physio rehab versus those who do. Estimate what percentage failed to achieve optimal function as a result of either course of action, so you have a comparison of people who are simply taking the instructions and trying to do it themselves, and take a look at what the results of that are.

[1030]

At the same time, look at people who opt for physio rehab and who can pay for it. Determine what the outcomes are from that, and compare the two. It may sug-

gest either that the current course of action is working quite well or that another course of action would be more prudent.

I did want to pass on to Pharmacare, some general questions about the management of the Pharmacare system and the use of PharmaNet as a data bank that can be useful in attempting to manage the program — both to improve outcomes for patients and, hopefully, to control costs over the medium term. Obviously, the Pharmacare plan continues to experience rapid growth due to cost pressures. I believe it's the fastest-rising component of the overall health care budget.

Like many British Columbians and like many from outside the province, in looking at Pharmacare, I think there is at one level a high degree of pride and satisfaction in a program that is innovative — and that was innovative from the outset, in ways that other provincial drug care plans have not been. It has, as a result of that, certain inherent strengths, but like any program, it always requires renewal and modernization. I would like to speak to that end of the operation.

One of the things that we received recently — and I know there was some controversy around it initially — was a report from the Auditor General on managing Pharmacare — a report which I read as offering both compliment and urgings or promptings to increase the rate of progress in certain directions. I know there was some controversy around that, and I'm not trying to revisit the controversy side. But I do want to pursue a couple of directions that I began canvassing in last year's estimates — which I believe the Auditor General's report underscores as important directions to be taking in the management of Pharmacare.

One of the things the Auditor General suggested is that there generally is, despite the incredibly useful qualities of the PharmaNet data bank, an underuse of the PharmaNet data to generate directions for interventions that would allow us to detect patterns of overprescription and conflicting uses of medications — although that may actually be more canvassed than other things — and to develop, on the basis of some of those insights, interventions to change physician prescribing practices.

I had asked last year whether there were intentions to begin projects to analyze this data, to begin to engage and develop these interventions and to put them in the field. For a beginning point, I want to ask: what new measures are being put in place or have been put in place recently to identify overconsumption or overprescription patterns and to detect and prevent adverse drug interactions? As a result of those interventions, if there are any, what kinds of programs are being put into the field to change physician prescribing practices?

[1035]

Hon. G. Abbott: I thank the member for his question regarding Pharmacare. I do want to, though, before we leave the area.... We may be coming back to the area later in these estimates, but I do want to make just a couple of comments around postoperative care for hip and knee replacements. It is an important issue.

We're doing more hip and knee replacements than ever — by a huge margin — in this province, and it's important for people to understand that just as in any other area of health policy and health care delivery, we are always striving for continuous improvement. This area is no exception.

The OASIS project — for those of you who are fascinated by these things, OASIS is an acronym for Osteoarthritis Service Integration System — is a very important project that aims at building best practices and best services around postoperative care in this province. It does more than that, but that is one of the very important things it does.

In this area we have undertaken some very important initiatives, which I think really need to be noted. The \$60.5 million that was recently announced for expanding and innovating in the area of hip and knee replacements is very important. We all know about the centre for surgical innovation at UBC, which will see 1,600 additional hip and knee procedures done at UBC. It will have a huge impact on wait times in this province, and it's something that we should be very proud of.

It's a model based on what we learned through the Richmond Hospital hip and knee project, which is the realignment and reorganization of hip and knee procedures in a way that productivity is dramatically improved in this area. I think all British Columbians can take enormous pride and satisfaction in that.

At the same announcement we also provided funding for a new centre for hip health, and that will be at Vancouver General Hospital in partnership with UBC. That, we believe, will assist us in undertaking some innovative work. I think we're already leading Canada and probably much of the world in terms of falls prevention and other initiatives to ensure that we can minimize the number of frail elderly and others who will suffer hip and knee injuries as a consequence of falls.

B.C. has been recognized nationally and internationally as a leader in the area of falls prevention. We issued a report recently — the provincial health officer — on the prevention of falls and injuries among the elderly. That's great. There is lots of leading-edge work being done, and the centre for hip health is the latest step to really build what we can offer in this area.

[1040]

Again, with the demographic challenge we face, with the aging society that is going to increasingly characterize our society over the next approximately 20 years, we need to continue with initiatives. An environmental scan for falls prevention initiatives in B.C. was published in 2005. The scan resulted in a reported 116 initiatives participating in falls prevention in B.C., as compared to 12 initiatives reported in the previous scan in 2001 — a ninefold increase in reported falls prevention initiatives. There's lots of great work being done in this area, and I'm very proud of how the health authorities, the ministry and the universities are all moving towards better outcomes in this important area.

Finally, I think it's important to note that as part of that \$60.5 million announcement, there was a \$25 million incremental lift to the health authorities to allow them to bring on even more hip and knee surgeries in a timely fashion. I thought it was a very good, balanced and positive package that we brought forward in an area where — again, I'm always blunt and honest about these things — we haven't been able to get the wait times reduced in recent years, notwithstanding all of the additional procedures that have been done. There's lots of great work being done in that area, and I wanted to acknowledge that before moving on.

The member asked a number of very, very appropriate questions in terms of Pharmacare and what we're attempting to do there. What we always strive for — and it may sound trite at one level, but it is what we have to do — is that we want to get the best results for British Columbia's patients from the drugs they are taking. That, again, may sound trite at one level, but it is a remarkably complex area of public policy.

We can often identify areas where a problem may be overuse. On occasion it may be underuse. On occasion it may be attempting to use the wrong drug for a particular purpose. There is a range of challenges in trying to ensure that when people access the Pharmacare program and are using a drug for a purpose, it is in fact achieving that purpose, that it's not doing harm to the patient, that the patient is benefiting and, similarly, that the best use of resources is being made with the prescription.

We currently have a project underway with the B.C. Medical Association around best practices on prescribing. We think that will be very useful. We have work underway with the Therapeutics Initiative around, in particular, the use of hypertension drugs. We are doing surveys to try to assess whether we're getting the appropriate use of hypertension drugs.

We have a couple of initiatives that I should note. The first is the development of education for quality improvements in patient care. It's a collaboration of the Ministry of Health, BCMA, the University of Victoria, Drug Policy Futures and the Harvard Medical School, through a contract with the University of British Columbia's division of continuing professional development and knowledge translation. EQIP, which is the acronym for this program, will develop and address utilization management of prescription drugs while ensuring best prescribing practices that patients need.

The second project, called the e-drug project, is a partnering with the e-drug project within e-health to enhance PharmaNet and enable clinicians in B.C. to access the current drug and patient information necessary to support better patient care and best prescribing practices.

[1045]

It is an attempt to really address the question which the member asked, which is: how do we ensure that we are getting the best possible outcomes from the administration and prescription of drugs?

D. Cubberley: I guess one of the best ways is to spend a lot of time analyzing the PharmaNet data to

see what patterns can be detected, especially around overprescription. All of the literature suggests that this is a tool that can be used to identify patterns, and once the patterns are identified, then remedial action can be put into the field.

Let me go to one of the areas that has the greatest potential — indeed, I would argue there is the greatest necessity for action — which is that of academic detailing. What I want to ask is whether Pharmacare has a clear management commitment to put in place a comprehensive program of academic detailing to educate doctors on best prescribing practices and cost-effective drug use.

The reason that I ask this question is because without a comprehensive program of academic detailing, doctors are essentially captives of the efforts by drug detailers. These are sustained, very well developed, using the best of advertising and sales tools and entirely convenient for doctors, who may not have any other source of information, as a way for engaging them in prescribing the drug company's preferred products.

Academic detailing is a direction that can counter that. We don't have much of a program, as far as I'm aware, at the present time. I'm looking to see if there is an emerging consensus within the Pharmacare program that this is something we need to put in the field and that there will be resources committed to developing it.

[1050]

Hon. G. Abbott: Again, this is an area where there's a tremendous amount of work being done around trying to produce better health outcomes and recognizing that the appropriate use of pharmaceuticals is an important part of better health outcomes. I suspect I could spend an hour talking about that, provided staff filled my head with enough information about all of the things that are going on.

We've tried to identify the four things we're doing in this area, which I think are key to producing better health outcomes from the judicious investments that both Pharmacare and patients can make in pharmaceuticals.

There is a multi-pronged strategy underway in the province, which is really looking at best practices around this area. There has been some very good work done on the North Shore. There's currently some very good work being done out in Fraser Health Authority, which we're building on across the province. That certainly includes academic detailing, but it's academic detailing as part of a broader strategy. This is very important, and it's something that our recent collective agreement with the B.C. Medical Association will, I think, be very helpful in expediting, and that is the development of chronic disease management collaboratives.

Those are teams which will include a pharmacist, a physician, a nurse, a nurse practitioner perhaps, but importantly including pharmacists so that when we're building a best-practices model for a patient, it includes the best advice that one can secure from a professional pharmacist.

The third area. I think this is very important, and we're just beginning to see the potential benefits that might flow from this. As part of a growing e-health system in this province, which will — as I think we discussed yesterday, probably in the context of the bill that came before the House.... PharmaNet and Pharmacare will be a part of that broader e-health initiative. It will be enormously valuable to have that data available to medical professionals and to the patient so that we can look at the history of drugs that have been prescribed, look at the history of potential drug interactions and have a record of adverse drug reactions that have occurred.

I think there will be a growing, sophisticated understanding of what the best practices will be, not just generally across the board but for each individual, as a consequence of having that e-health record at the fingertips of the medical practitioner and the patient.

A final point that should be noted is that there is much work and very good work being done in a partnership between the B.C. Pharmacy Association and the Ministry of Health where the Pharmacy Association is aiming to educate British Columbians about compliance and best practices around the use of pharmaceuticals. I'm sure that educational process will be valuable as well.

D. Cubberley: One last question before passing to my colleague the member for West Kootenay–Boundary, who has some questions about specific drugs. It's just a more general question about an area of use of PharmaNet data.

[1055]

Obviously, it's important for the program managers to analyze the PharmaNet data to develop insight into patterns of prescribing and to come up with remedial action. But it's also important that physicians have access to PharmaNet data and that they be encouraged and enabled to use the information in patient records to modify their own practices and to monitor what is going on.

In fact, there is, I understand, a program called something to the effect of gain-sharing savings within Pharmacare, which invites physicians to make choices that save money for the Pharmacare program. It will actually generate a revenue to the physician if, in fact, they make cost-effective choices. I don't know what the status of that is.

My question isn't so much about that. The point is that a program of that kind, or any other program, can only operate if physicians have access to PharmaNet data. What I understand is that there was a pilot project done some time ago involving a hundred docs, which opened up PharmaNet access. That program, in my view, should be extended to all doctors in British Columbia. There are challenges, obviously, in doing that, but if we are talking about an electronic health record and e-health, then we are going to have to tackle physician access to data banks head-on.

One of the things, in my view, that we're going to have to deal with if we want there ever to be electronic health records is the fact that the overwhelming major-

ity of doctors do not have access to the Internet in their office. They don't use it as part of their practice.

Canada apparently has the lowest level of physician access to computers and the Internet of any of the western democracies, and British Columbia has a very low level. The only figure I've seen recently.... The most recent one was in the Auditor General's report, and he claimed that fewer than 20 percent of physicians in British Columbia are connected to the Internet.

If we are going down the path of developing electronic health records, obviously there is something in the way physicians are working that's blocking this development. To my mind, that means it behooves us as directors of the overall health system to say that something is stopping this from happening, because every other sector of society is at a very high level of computerization, from people's homes to their workplaces and in between — in their vehicles. Doctors' offices are not.

There's clearly a problem. It may be a question of having to incentivize it. It may be a question of having to actually alter attitudes and to facilitate and enable. But with only a hundred doctors currently having access to PharmaNet data, we aren't even at the beginnings of tapping the potential of the resource we have.

My question is: what are we going to do to grow that access? What is Pharmacare planning to do to enable this to happen? The broader question, I guess, is: what is the ministry planning to do to enable physicians and to help them overcome whatever this block is?

Interestingly, Saskatchewan apparently supplies physicians with BlackBerrys so that they can access drug data on the Internet. Clearly, there's a problem of some kind. I don't know if a BlackBerry, frankly, is the solution. Many people don't want to spend their time looking into a screen that's about as big as a postage stamp, but at least it's a recognition of the access problem. That's what I'm looking for on the government side.

Hon. G. Abbott: I'll be uncharacteristically brief here, because I think we're actually in agreement on this point. There is no question that physician access to PharmaNet data is critical in allowing them and the patients that they serve to make the best decisions around the application of particular pharmaceutical regimes to their best treatment.

[1100]

There have been outstanding issues in respect of privacy laws in the province. There have been issues around resourcing the extension of electronic health records into physicians' offices across the province.

We have taken two very huge steps in recent days towards resolving those issues. I'm delighted that the opposition joined unanimously with the government in endorsing Bill 29. I think that was a huge step forward. Bill 29 really provides the foundation for the electronic health record in this province. That was a huge step forward, and I was gratified that it enjoyed very broad support.

The second piece. Now, with the conclusion of the debate on Bill 29, we do have that solid foundation to

build the e-health record on to ensure that physicians will have appropriate access to all of their patients' records, whether it's in the area of PharmaNet or any other area of best medical practices. They will have that opportunity.

The other piece. I'm delighted that the B.C. Medical Association recently ratified by a 94-percent margin a new contract with the province, Ministry of Health. One of the important pieces of that contract is the resourcing of the extension of e-health into doctors' offices across the province, so we'll have the kind of comprehensive hookup between the health authorities, the hospitals, the doctors' offices, etc., all of our health facilities in the province, to ensure that when patients present at ER or when they present at a doctor's office or wherever it may be — I suppose perhaps even in the future in ambulances — we will have the best possible opportunity to work with up-to-date, reliable data in moving forward with an appropriate regime of treatment for the patient.

In the BCMA agreement, just to note, is \$20 million for one time on the e-health record and 24 million additional dollars over the next four years. There's very substantial investment that is being made there — very, very useful in terms of that.

The only comment I can make with respect to providing all physicians in Saskatchewan with BlackBerrys is: be careful what you ask for. It does change one's life rather quickly, being in possession of yet another way that the world can get hold of you without notice.

K. Conroy: I think it's a nice transition to go from Pharmacare into seniors. I'm going to stay on Pharmacare and talk a little bit about some issues with Pharmacare.

When I go around the province talking to seniors, one of the big issues with Pharmacare is the lack of coverage for the drugs that could be potential help with Alzheimer's or dementia. In fact, B.C. is the only province in the entire country that doesn't provide coverage for these drugs, and Newfoundland is actually coming on this year.

There are more than 61,000 people in B.C. that are estimated to have dementia, with 41,000 of them having Alzheimer's. We feel another 14,000 people — they're telling us — are going to develop Alzheimer's disease or a related dementia this year. There's no cure, but there is hope that with these drugs there can be improvement in memory, language and other cognitive abilities.

It costs people about \$1,800 to \$3,600 a year for this drug. It doesn't seem like a lot of money. However, when you factor in that it costs over \$9,000 to \$25,000 a year, and those are minimal, to care for people with dementia and Alzheimer's, it seems a fairly insignificant amount. This is an issue that a number of constituents have written to MLAs about and that we've heard many stories about.

[1105]

I think the one that hit me the hardest was a couple in their early 60s, which is something many of us in the House can relate to. The spouse has developed early-

onset dementia, and they feel it's going to progress into Alzheimer's. They can't afford the drugs that would help him to have a better quality of life. They are on a low income, and it's just not something they can afford. Her comment to me was that she is afraid he'd probably commit suicide before he got to the point where he would allow the disease to progress.

We hear that from many people — that this is what this drug is doing — and I just wanted to know why the government feels that it can't cover the drugs Aricept, Exelon and Reminyl. I understand that Ebixa is now also added into the mix. Why is this province the only province in Canada that doesn't feel it can cover these drugs under Pharmacare?

Hon. G. Abbott: I thank the member for raising this very important question.

Alzheimer's is a disease that affects some British Columbians, and it's an important issue around whether there is an effective pharmaceutical course that might assist with Alzheimer's disease. That has been a debate in this province, and, indeed, in other jurisdictions, for some time.

First of all, I think it's important to recognize that British Columbia has one of the broadest and one of the most generous formularies in the nation for drugs. That's clear. British Columbia also has a very rigorous process, either through the Common Drug Review or the therapeutics initiative, to ensure that before we add a drug to our formulary, it in fact works, and it is efficacious in terms of its application to the disease which it is purported to assist with. That's very important. We do approach these things with rigour, attempting to ensure that if a drug is added to the formulary, it in fact is going to benefit the patient, it is not going to harm the patient, and it is going to produce at least some of the benefit that, again, it is purported to do.

There has been enormous debate internationally around the efficacy of a number of the potential drugs for treatment of onset Alzheimer's. Aricept, Reminyl, Exelon and Ebixa are all drugs in question here. There is a debate — and I think this is an important part of the debate that is proceeding in this province, this nation and our world — that really goes to the issue of the clinical trials versus what, anecdotally and otherwise, people think might be the benefits of some of these drugs.

[1110]

It is important to note, I think, at the outset here, the literature around this. For example, there was a 2000 study in the prestigious journal *Lancet* in 2004 that found that Aricept produced no measurable reduction in the rate of institutionalization or progress of disability, the key determinants of effectiveness of treatment. So that was an important international study on this issue.

As well, in the United Kingdom, the National Institute for Health and Clinical Excellence, NICE, recently conducted at the request of the U.K. National Health Service an assessment of Alzheimer's drugs based on a review of clinical trials completed by 2004. The appraisal committee published a consultation paper

which recommended that those drugs not be used in the treatment of Alzheimer's and concluded that there is evidence of some benefits in cognitive and global outcome measures for mild to moderate Alzheimer's but indicated these were not statistically significant and that results on functional outcomes, quality of life and behavioral symptoms were inconclusive.

The clinical trials also proposed that NHS no longer cover the drugs for new patients, based on studies of cost-effectiveness. The study recognized that some experts believe that benefits, although small, as represented by changes on scales for cognition were clinically relevant and that a minority of people with Alzheimer's were observed to benefit significantly from those drugs. It recommended some follow-up research with regard to that.

There has also been a recent German study of all published, double-blind, randomized-control trials on the drugs that found the scientific basis for recommending the drugs as preferred treatment for Alzheimer's patients is "questionable," because minimal benefits were measured on rating scales and the methodological quality of the available trials was poor.

In the United States, in April 2005, an American review for the U.S. Drug Effectiveness Review project reported similar results, noting:

Modest effects on symptom stabilization, behaviour and functional status as measured by various scales. Although some trials did not support statistically significant differences...most trials yielded data supporting a slower rate of decline or modest improvements in measures of cognition and global assessment. Fewer trials supported differences in measures of behaviour or functioning. The clinical significance of these statistical differences is controversial.

The overall grade of the evidence on efficacy and tolerability of these drugs in subgroups is poor.

There's also been some work done in Canada, again indicating a modest and short-term impact on functional performance, with the clinical significance difficult to predict and a high rate of treatment discontinuation. They conclude that short-term and largely unknown clinical benefits after one year are small to modest.

Anyway, again looking at the clinical data internationally: I think it was Reminyl that recently the Food and Drug Administration in the United States actually took a closer look at because it appeared to.... Actually, I've got it here. The U.S. Food and Drug Administration recently released a safety advisory for Reminyl because of higher-than-expected rates of patient death in clinical trials.

[1115]

Again, I do have to say that this is a very difficult, complex, challenging area of public policy. It is tempting to want to reach out for what appears to be the best hope in some of these areas, but we really need to backstop those decisions with clinical evidence. That has been difficult to secure in respect of these drugs. I think it's important to note that our discussion of that continues.

We are looking forward to a forum later this year including the Alzheimer Society that will look at issues

like the nature and course of Alzheimer's disease to ensure a common understanding among all participants; presentations of the various types of research methodologies, including measurement instruments for assessing functional status and the pros and cons of each of these approaches; the current state of research around these medications; and presentations on the public policy issues, including the approaches taken in other provinces and the underlying rationale for those policy positions. Presentations could also be made on the current state of clinical guidelines, which is currently under development.

I should also note, in concluding a too-long answer to the member's question about this, that one of the commitments the Premier recently made — which I think is very important and which speaks to the commitment of this government — was a commitment of \$15 million in provincial funding for the Pacific Alzheimer Research Foundation. That will support new research aimed at, hopefully, eliminating over time Alzheimer's disease and related dementias.

That's the challenge. Again, we need to keep working in this area. It is a challenging area, and it's a disease that obviously profoundly affects the quality of life, particularly for those in the latter years of their life.

K. Conroy: The \$15 million for research was a good addition, but it's a long-term goal and it doesn't help people now. It doesn't help the constituents we're talking to now, the people who are facing these difficulties now.

The research you quoted is good, but what I look at is that every other province in this country has said the little bit of benefits that people get out of these drugs is worth it. I know people who say if they could have another year, that would be good. They'd like that.

I didn't get from the minister an actual time frame that the ministry would be looking at of when they're going to have all the studies done, all the research done, when they could actually make some definitive answer as to the pros and cons.

I note, too, that the Alzheimer Society of B.C. is also very concerned about this and has expressed this concern to us.

[1120]

Hon. G. Abbott: Again, I thank the member for her question. The object of the work we will be undertaking in the months ahead is to try to ensure, if we have an application of pharmaceuticals, that it will in fact achieve the purpose for which it is intended.

The biggest challenge with the application of the four Alzheimer's drugs we talked about, across that broad group of people who might be affected by Alzheimer's, is that there is some considerable unpredictability about what the outcome will be for patients. We find that for some portion of the patients.... It's typically a minority, but for some patients the application of those drugs can actually cause harm, so we do have to be remarkably cautious about the application of those drugs.

What we will be doing within the next two months is hosting the forum that I mentioned earlier. We will be benefiting at that forum from presentations by researchers and experts in this area. As I pointed out earlier, and I won't repeat it, lots of work is being done nationally and internationally around the area of Alzheimer's drugs, so we'll be hearing from them. We'll be hearing from clinicians who actually work with Alzheimer's patients on a day-to-day basis, and of what they see, anecdotally and otherwise, from those patients. We'll be hearing, of course, from the advocates and the patients themselves, who are a part of this discussion as well.

The aim is to identify those subgroups from among the broad band of Alzheimer's patients who will benefit from the potential application to their condition of one or more of those drugs that we've been discussing. We want to avoid exposure to risk. Again, the recent U.S. Food and Drug Administration advisory around Reminyl is a timely reminder that it's not always entirely upside here. There can be a downside to these drugs as well, in terms of extension of life or quality of life. There's some risk, and we do have to be cautious.

We do have to be very clear, also, because there's absolutely no evidence.... There is no drug that will extend life span for someone afflicted with Alzheimer's. There's no evidence of life extension from any drug. There are claims that, for example, short-term memory might be improved in the short term for some, but there is no evidence anywhere around extension of life, so that's important as well.

What we'll want to see as we move forward in the identification of subgroups is where the appropriate application of an Alzheimer's drug might, for example, improve the short-term outcomes around memory loss. Beyond the very ambitious work that we will be doing with the Pacific Alzheimer Research Foundation.... That is the work that will, I hope, be part of the international effort to try to understand and find a cure, at some point in the future, for Alzheimer's. There is nothing in the drugs we currently have that offers, in any way, a cure to this most challenging of diseases.

K. Conroy: I thank him for that. I look forward to the results that come out of the forum and to an actual time frame to tell people. Although, as we both said, the research is great, it doesn't help people now and in the next few years that are dealing with this.

[1125]

I understand that around the whole issue of Fair Pharmacare there is the study that's being conducted right now at UBC in conjunction with the ministry. I acknowledge that's underway, and that those results will be coming out in the fall. We will have the opportunity to discuss those results, in the session in the fall, once they are fully researched and ready to present.

[S. Hawkins in the chair.]

Hon. G. Abbott: There are a number of studies ongoing in respect of this particular area of public pol-

icy. Currently we have external studies in progress by Harvard University and by the University of British Columbia's Centre for Health Services and Policy Research, affectionately known as CHSPR among those who deal extensively in the business of acronyms.

There are a number of reports that we will see in the relatively near future. We anticipate that the first Harvard report will be published in June of 2006, and it will be looking at the impact of two sequential, drug cost-sharing policies on the use of inhaled medications in older patients with COPD or asthma — COPD being chronic obstructive pulmonary disease. So that is one of the studies that is underway. We'll see that in June 2006.

A second Harvard report — publication date not clear yet — on outcomes of income-based deductibles and prescription co-payments in older users of inhaled medications will evaluate the implementation of the 2002 co-payment policy and the 2003 Fair Pharmacare policy on emergency hospitalizations, etc. The third Harvard report — again, publish date to be determined — looks at adherence to statin therapy under drug cost-sharing in patients with and without acute myocardial infarction, MI, a population-based natural experiment. That's underway as well, and the Canadian health services policy research report — publication date anticipated to be December 2006 — will look at Fair Pharmacare, the impact to Fair Pharmacare on expenditures, on financial equity and on access to medications.

I presume that was what the member was asking about, and those are the approximate rollout dates for those studies.

K. Conroy: Yes, that's great, and we'll look forward to discussing those studies with you as they are released.

I'm going to move on from Pharmacare and go into some issues around our favourite issue on beds. I just wanted to clarify some quotes that were made yesterday in the Legislature. The minister quoted that in the last five years, 1,500 residential care and assisted-living beds were created in this province. What I would like to ask is: what was the net number of residential care beds created, and where were they created?

[1130]

Hon. G. Abbott: The member's suggestion is correct, as I reported to the House, I think, in question period a day or two ago.

The current net number for residential care and assisted-living units is 1,500. That is the net increase over 2001. By the end of this year we expect that number will be somewhere between 2,500 and 2,700 net. There is a lot of construction underway across the province which will see that additional increment of beds.

The other very important context piece in framing up an understanding of how this works is that we have been moving very consciously and very strategically from an old model of care that one would characterize

as nursing homes to what I think is a far more appropriate and beneficial model, which might be referred to as the campus-of-care model.

[1135]

In the campus-of-care model, one attempts to make a suitable number of units available to frail elderly or those who require those supports across a continuum from supportive housing, where home support is actually provided, to assisted living, where there are meals and hospitality services provided, but the frail elderly can still enjoy independence of living in an assisted-living setting. It's very important, and I don't use the term "beds" here, because it dramatically understates what has been done.

We have moved from what were often three- and four-bed wards to private rooms, and while you get a net number when you move from a three- or four-bed ward down to a single, private room, the quality of life, the quality of latter-year experience that the frail elderly can enjoy in that setting is hugely important in their lives.

I think it's very important to note that we are building a continuum of care, or in some cases a campus of care, that extends from supportive seniors housing with home support through assisted living, where two meals a day plus the hospitality supports are in place, to residential care, where one requires 24-7 supports in life. The residential care is in every sense institutional. One relies, typically, in residential care on the support of nurses and caregivers on a 24-7 basis.

The aim of the work we are doing is to ensure that we have a sufficient quantity of residential care beds to ensure that we can meet the demand for those who require that institutional 24-7 support in their lives, to assisted living, where people can and want to continue to live independently for as long as they can, to supportive housing with home care appended, which is just a little lesser level of support than one can enjoy in assisted living. We've been working very closely with the health authorities to identify what the respective needs are in the areas of residential care, assisted living and supportive seniors housing with home care appended. We're trying to get the right numbers in all of those areas so as best we can, the demand matches up with the capacity.

The reason why we are continuing to invest very heavily as a government in residential care and assisted living and supportive seniors housing with home care is because we see a growing demand in all of those areas, and we continue to work towards our goal of having at least 5,000 incremental units to support those frail elderly in their latter years by the end of 2008, or hopefully earlier in 2008. We are making good progress on that, as I mentioned. By the end of this year, with all of the projects that are under construction today, we will see that incremental growth to approximately 2,700. As best we can understand the demand and capacity based on our discussions with the health authorities, it will, hopefully, be enormously valuable in moving us forward.

In terms of the numbers, and this is to March: total residential care beds, 24,172; total assisted-living beds, 2,249; and total supportive seniors housing with home support, 508. That number does not include supportive seniors housing without home support. We are including only the numbers where home support is being actively used. That gives us a total of 26,929 — again, as noted earlier, a net incremental increase of 1,500 units from 2001.

[1140]

K. Conroy: Well, what I was looking for is the net number of residential care beds, not the entire number — and the new residential care beds. I just want to be really clear to the House that no one on this side disagrees with the concept of campus of care or assisted-living facilities. I've seen many assisted-living facilities that are really well run, that have seniors who are doing very well in those facilities. But what I'm hearing from groups across the province who are involved in this type of care, who are involved in residential care, is that they don't want to see assisted-living beds built at the expense of residential care beds. That's what people in the province see happening.

Yes, we have an aging population, and we have more people who are healthier and who don't need the intensive support that you find in residential care. But we still need those beds, and seniors can't access them. I think the reality is that too many beds were closed down before enough beds were opened. I've even seen seniors who are in assisted living, who really should be going into residential care, and there are no beds for them.

There are issues where folks who are in assisted living are ending up in acute care because their needs have grown and there's nowhere for them to go. In fact, we've talked to seniors who have suddenly discovered themselves homeless because the assisted-living facility doesn't have the campus of care. So that senior cannot go into a greater level of care, and they end up in an acute care facility, waiting to go into a residential care facility that isn't available close to home, where they have their assisted-living facility.

The concept is great. In some communities it is working. But for seniors where it's not working, there has to be some type of acknowledgement that it's not working and that those beds need to be opened. I think it would be interesting.... One of the countries where it is working is Denmark. I don't think that country was on the Premier's list of tours, but that's one of the countries where seniors care is working and working well. They haven't built new beds, because they've put enough support into existing beds. They have a true campus of care. It would be a good model for the minister to look at in his deliberations around beds.

I also know that the ministry has had some difficulties with beds that have been closed because — and I think I'm quoting the minister when I say — "they were old and dilapidated," and now they've had to be reopened in order to deal with the crunch. Those beds and facilities have been opened with very little renova-

tions, because as folks who talked to me said: "They really weren't old and dilapidated facilities." For the most part, they were fairly decent facilities. They were smaller. The minister is right. Some of those places had two or three folks to a room and needed to be cut down so the seniors would get the privacy and only have one bed to a room.

I think it's interesting that here in Victoria, the old Gorge facility that was shut down and had to be reopened now is actually the first available bed placement for seniors in Victoria. The only thing that really happened to that facility, as far as I understand, was that they had the mould removed.

Kamloops' Ponderosa Lodge is another example of a facility that was shut right down. Seniors were dispersed into the community — some not dispersed, some struggling to find care — and that facility had to be reopened with very little renovations. They took the formaldehyde out of the walls. The staff that work there are the first to admit that it's not the optimum placement for those seniors, but it's going to have to work until facilities can be built. The washrooms, for instance, have curtains over the door because they can't get into them with doors on.

I think we need to look across the province. Where the minister has been very quick to say facilities had to be closed because they were old and dilapidated, now health authorities are reopening these facilities to accommodate numbers. We need to relook at what the minister is actually implementing here.

[1145]

What I want to know is if there are any other plans to open any other facilities that have been shut down in the province, that can accommodate the seniors who are waiting in acute care beds and where they can get the proper type of residential care that they need.

Hon. G. Abbott: I appreciate the member's question, and I appreciate the sincerity with which she asks it. These are issues that are not unknown to me.

A few years ago when my 80-year-old father had a series of strokes that culminated in him needing 24-7 residential care, it was very clear to me that assisted living would never have been something that was appropriate to his needs. There are always going to be instances where one needs that higher level of care. Again, the object of the work we do is to ensure that the level of support which the frail elderly person or the patient needs is commensurate with the level of care that they need.

Now, it is not a random application that might lead someone into residential care versus assisted living. We have in fact put in place a standardized assessment tool which can tell us very clearly what level of care is going to be most appropriate for each individual patient.

That standardized assessment tool is not used just once. It's a tool which is used periodically to determine.... If, for example, a person has been in assisted living for a couple of years and there are notable changes with respect to their capability or their behaviour or other issues, then the standardized assessment

tool will be used to tell us whether in fact now is the time to move on — hopefully, quite seamlessly — into the higher level of care that's provided by residential care. It's important that the system is structured around understanding what the patient's needs are and then providing the level of care, as in the case of my father, that is appropriate to them.

One of the challenges, and this is very clear from the work that was done in 2001 around the existing stock of residential care.... There were probably somewhere around 4,000 units that were purported to be providing residential care to British Columbians, but they were not structured appropriately for that level of care. In many instances those facilities that provided a level of care that was inconsistent with the higher acuity needs of residential care patients were closed down, as the member noted. Some were used for other purposes. Some were renovated to provide assisted living. So there's certainly been a transition, an important and a very positive transition, in that area.

I might, for example, invite the member to visit James Bay manor, just a few blocks from here. James Bay manor was an aggregation of three- and four-bed wards in 2001. It is now a very beautiful facility with private units for those who are at the assisted-living level of need in James Bay manor. There are also floors that provide excellent residential care for those clients or patients who require that 24-7 level of care.

Now, we do know that in terms of gross numbers of patients in James Bay manor, it is serving approximately half the number of people it did when it was comprised of three- and four-bed wards. Today people are enjoying a far higher quality of life as a consequence of that investment and as a consequence of the shift away from the multi-bed nursing home wards to what today are wonderful, wonderful homes for over a hundred British Columbians who enjoy living at James Bay manor.

[1150]

I think that's very important — the standardized tool, the work that has been done to improve the quality of life, the quality of housing for the frail elderly.

The other point I think I want to make is around improving the bed stock, because I think this is very important. We have seen new residential care facilities being opened in a large number of communities in British Columbia. I'd be glad to share that with the member, should she ask. Aging facilities are being upgraded to make them more suitable for complex care clients. Good examples: Swan Valley Lodge in Creston, Columbia View Lodge in Trail and many, many others.

Facilities that are unsuitable for complex care clients are being replaced, and again, we have a list of those. Obsolete facilities are being converted to provide assisted living for those who can benefit by that. Obsolete facilities are being converted to other health uses, and I think there's an example. Cairo Lodge in Trail is being considered for that purpose by Interior Health at this time.

The numbers tell part of the story, but we have made incremental to what was being invested in 2001.

We have invested over one billion incremental dollars to providing more and better care to the frail elderly in British Columbia. I'm very, very proud of that, and I know that the member is going to be very, very proud of that as we move forward and can add even more to the number of facilities and the number of homes to British Columbians. We can be very proud of that.

Noting the hour, Madam Chair, I move the committee rise, report progress and ask leave to sit again.

Motion approved.

The committee rose at 11:52 a.m.

The House resumed; Mr. Speaker in the chair.

Committee of Supply (Section B), having reported progress, was granted leave to sit again.

Committee of Supply (Section A), having reported progress, was granted leave to sit again.

Hon. C. Richmond moved adjournment of the House.

Motion approved.

Mr. Speaker: This House stands adjourned until two o'clock this afternoon.

The House adjourned at 11:53 a.m.

PROCEEDINGS IN THE DOUGLAS FIR ROOM

Committee of Supply

ESTIMATES: MINISTRY OF TRANSPORTATION (continued)

The House in Committee of Supply (Section A); H. Bloy in the chair.

The committee met at 10:06 a.m.

On Vote 41: ministry operations, \$839,458,000 (continued).

S. Simpson: I just wanted to come and make a comment in reference to some comments made by the minister yesterday. Yesterday the minister spent some time in this committee reflecting on comments that he said I had made in the House that were offensive to Ministry of Transportation staff. He further said that he was sure those comments were aimed at him and that it wasn't my intention to impugn ministry staff.

I've now had an opportunity to review the comments, and I do want to thank the minister for bringing

them to my attention. A number of the comments paraphrased those of Norman Spector, made on the television program *Voice of B.C.* The comment, however, that is correctly attributed to me is the following: "Clearly, the Ministry of Transportation has incompetent leadership in management, and it is reflected...here." On this matter, the minister was quite correct yesterday when he stated that he was sure those comments were directed at him and not at staff.

These comments do represent my view of much of the minister's performance of his duties, but they certainly were never meant to be attributed to, or to be disrespectful of, the staff of the Transportation Ministry, and I trust this clarification of my intentions is helpful.

Hon. K. Falcon: I want to thank the member for that. It was never my intention to in any way try and put the member on the spot, but I do know that sometimes, in the heat of the moment, we say things — certainly, I've been guilty of this before — and perhaps don't mean them in the way we say them.

I would have absolutely no objection — nor do I, even though I like to think of myself as somewhat better than incompetent.... I think it's very much within the realm of fair play for the member to refer to me as being incompetent. He certainly wouldn't be the only one, and I'm sure there will be many more to come.

I thank the member for doing that, because I think that does fairly attribute it to where it should belong and also fairly portrays the fact that the staff, and especially the management staff, at the Ministry of Transportation do an exceptional job. I know that the former minister here and many other members have had the opportunity to work with them and would certainly agree with that.

I thank the member for doing that. I think it takes character for all of us to recognize when we've made an error, and I appreciate him doing that.

G. Coons: Thank you, staff and minister, for being here for the morning to look at Ferries. I have some questions there. Our time is fairly constrained, and I hope that if I don't get to some questions in finishing my ferries and ports questioning, we could get them in writing and perhaps go through that method, if that's okay.

First off, I'd again like to welcome everybody. As we look at our ferry system, our marine highway.... As the minister indicated yesterday: 35 or 37 vessels, 25 routes, 47 terminals, over 4,000 dedicated employees. It's a key component of our transportation network.

[1010]

Where we've been going in the last year has been a lot of turmoil, I think, a lot of concern. When we went to the coastal ferry services contract and Bill 18, we saw that this long-term arrangement was supposed to establish a predictable and stable marine transportation system. That's coming into play right now. I hope we can get some questions out there.

I realize that the last time we did estimates, we got into some philosophical debate, and again, that may

continue. I'm open to that, as the minister is, and I hope that we can get into how the money is being spent and that the public interest is being looked after.

My first question, if I could, to the minister: the budget for the coming year is approximately \$128 million, I think — \$127.732 million. How many ministry staff do you have dedicated to B.C. Ferries, who are they, and what are their duties, please?

Hon. K. Falcon: We've got an assistant deputy minister, Kathie Miller, who has primary responsibility for our marine branch. We also have four FTEs in the marine branch, and as required, we will often delegate other management staff or people with particular expertise to come on and assist if there are any particular issues that require that assistance.

G. Coons: As far as your ministry staff, do they respond to concerns from the public? It may be business owners, truckers, ferry-dependent communities or people that are dependent on ferries.

Hon. K. Falcon: Where the public would come to us, we would certainly attempt to respond. Of course, we would direct them to the Ferry Corp., which is, of course, independent of government. We would remind them that there are Ferry advisory committees that they can certainly talk to. There's a board of directors. There is the independent Ferry commissioner and, of course, the Ferry Corp. itself. In fact, I'm quite impressed at the direct response, often from the president himself, to many of the members of the public that make inquiries. So there are certainly lots of opportunities.

We don't, frankly, get that many inquiries. Most people go directly to the Ferry Corp.

G. Coons: As you've mentioned, concerns may go through B.C. Ferries themselves, the Ferry commissioner or perhaps to the Ferry critic. It's interesting. If I can just relay the story, when we were at the professional engineers breakfast, I had my tag on that said "Ferries critic," and somebody came up to me and said: "Oh, you're the person we talk to about ferries." I said: "Yes, isn't it interesting that nobody in government has a name tag that says they are responsible for ferries?"

A phone call did come to me from an accountant who phoned your office and was informed that no one in this office, the minister's office, deals with B.C. Ferries problems. Again, I want to go through the aspect of looking at who is actually looking after the public interest, when we get to that.

As far as route discontinuance in the services contract that the ministry signed with B.C. Ferries, is the commissioner solely responsible for making that decision?

Hon. K. Falcon: It's actually laid out in the ferry contract, which is on the website, and I encourage the member to go have a look at it. It's fairly straightforward. Route discontinuance would have to be applied to the independent Ferries commissioner by the Ferry Corp. It certainly does not guarantee that they get

route discontinuance. It allows them to apply for it, if they will, and the Ferry commissioner will act in the best interests of the public.

[1015]

To the previous point the member made about the public somehow not having any ability to be involved, our staff, I'm sure, would have told the individual exactly that. It is an independent Ferry Corp. now. I recognize that the members of the opposition don't support that direction, but I remind the members that this was, perhaps, the strongest recommendation that came out of all of the independent reports: Hugh Gordon, the Auditor General's report and, of course, the Fred Wright report.

I'll quote for the benefit of the memory of the member, and read into the record from the Fred Wright report of December 2001. One of the key recommendations, the first recommendation coming out of it, was: "...that the province amend the B.C. Ferries enabling legislation to vest its powers in an independent board of directors with responsibility for governing, exempt from political and bureaucratic interference. Under this model, B.C. Ferries would receive a clear mandate and understanding of the province's expectations, and would annually present its business plan...and report quarterly on the results of its operation."

I'm reading, in part, from one of the key recommendations, but I think that the key thing for the member to recognize is that that was a common theme from the reports that were done: to separate it from political and bureaucratic interference.

G. Coons: I did take your advice on going through the reports, and I do have that recommendation in front of me. The minister did admit something from that recommendation, and that has been admitted ever since day one. It says here, and I will quote, under the recommendation the minister just read: "Under this model, B.C. Ferries would receive a clear mandate and understanding of the province's expectations" — this is what was left out — "and would annually present its business plan through the Minister of Transportation to the Legislature and would report quarterly...."

In that aspect, as far as the premise of us being consistent with the three reports.... I will get back into some of them, also, since the minister brought that up. I would say that it is not consistent, and I would hope that we would have the freedom of information to have B.C. Ferries report back to the Legislature, to have that scrutiny and accountability. The premise that we are all going on in British Columbia, as far as our integrated marine transportation system, is under false pretence at this point in time, if that's what we're sticking to as far as the Wright report.... I will come back to the other reports also.

At this point in time I would like to ask the minister: when a route is to be discontinued, what are the key aspects that the commissioner would take into account to discontinue a route, and would the minister have a role in that decision?

Hon. K. Falcon: The estimates is an opportunity for the members opposite to ask questions. The member can use up his time as he feels he wants to, but I would remind the member that if you would just simply go through some previous discussions during estimates, during the debate over the bill, this issue was canvassed very, very extensively by members of the opposition. What the member is essentially wishing to do, apparently, is just to have a repetitive exercise. I'm happy to do that if the member wants — because it's your time — but this was all canvassed very extensively. It's all available on the website. There's no magic here. If you want to engage in speculation, you're free to do that, because, as I say, it's your time.

The final thing I will say, just referring to the Wright report, is: we actually did one better than that. Instead of annually presenting a business plan to the Minister of Transportation and the Legislature, it's actually all on the website. That's available to all members of the public, and I dare say that there are members of the public out there that, believe it or not, actually can read financial statements a lot better than even some members of the Legislature might be able to. That is available for their scrutiny, including the business plan, including the audited financial statements, including minutes of directors' meetings. All of that is available.

[1020]

There is more transparency here than there ever was. And I, for one, will never accept the fundamental premise of the argument that the member opposite and his party wish to make: that somehow the great nirvana we had in this province was when we had bureaucratic and political oversight of B.C. Ferries as a Crown corporation. That is the height of hypocrisy, as far as I'm concerned, because that, in fact, was the period in which some of the most devastating decisions were made — without any public oversight, without any public scrutiny. In fact, the member opposite will remember his government shutting down the Ferries committee of the Legislature that was overseeing a lot of the activities that took place.

That is exactly the kind of disastrous governance that brought about the fast ferries fiasco, and that's exactly why we wanted to make sure we had a model that moved us as far away from that as we possibly could while still maintaining the ability of the public to have their interests represented — as it is in so many different ways: a labour representative, for example, on the board of directors; a community representative on the board of directors; ferry advisory committees that have the opportunity to have direct input into what goes on with the Ferries Corp.; an independent Ferries commissioner, whose only role under the statute is to represent the interests of the public with respect to the Ferries Corp.

And oversight — not only of audited financial statements in an annual general meeting, which must be held, where the public has every opportunity to question the most senior executives directly.... Not through something going on in the House, where the public has no opportunity to be involved, but going

directly to a meeting, looking the president of the corporation in the eye and asking them the tough questions.... The president will answer all of those questions, as he has so very thoroughly.

That is probably why the members opposite ignore the one thing that is actually the most important thing in my mind, and that is this: what does the public think about how the Ferry Corp. is performing?

It's always interesting to know what the opposition thinks. Typically, what they think is the usual negative, pessimistic sort of view of the world. But, you know, when I look at the customer satisfaction tracking reports — and I would encourage the member to actually read some of those, too — what I see are over 13,000 interviews conducted by an independent research firm, 4,400 of them longer questionnaires compiled and returned on a whole range of subjects: customer satisfaction results for overall ferry service, for service prior to arriving at the terminal, for service at the ferry terminal, for service on board the ferry, for service pertaining to the loading and unloading experience they enjoyed, for overall safety of the operations and for the value for money they received for the fares paid.

Those are the kind of things the Ferry Corp. never used to ask. They actually now ask those.... Why do they ask those questions? Well, I can tell you why: because they care about the customer. They care about the people, the 20 million people a year, who actually use the service. They ask them to rate their satisfaction on 69 different aspects of the services they receive from B.C. Ferries on a scale of one to five, where one means they are very dissatisfied and five means they are very satisfied.

Well, the last full report that we have — their annual report in '04 — stated that the average score of 4.1 was achieved. Eighty-eight percent of the passengers surveyed reported to be satisfied overall with their experience travelling with B.C. Ferries. That's up from the satisfaction level in 2003, which was 82 percent.

That's 88 percent. I can tell you, if my kids came home from school with 88-percent scores, I'd be pretty happy. Does that mean everyone is happy? No. There are always people out there.... Frankly, there's an industry of people who just like to complain, and they will complain year in, year out. They don't like this. They don't like that. That's the way the world works. But I can tell you that I look at these annual reports with great interest, because they are actually talking to people who use the Ferry services. They are extensive interviews — over 13,500 people surveyed, 88 percent of them satisfied overall. Those are the kind of results I like to listen to.

G. Coons: Talk about taking up my time....

Anyway, I would like to refer back to the website. Again, it's really inconceivable when we have an overwhelming public interest in the safety, performance and cost of the ferry system that the minister refers to a website, which.... I guess it's FOI-able. What do people want? They want some scrutiny. They want accountability.

[1025]

A key aspect is that this government and this minister took our Ferry service out of the scrutiny of the freedom of information, out of the hands and scrutiny of the Auditor General, and I think British Columbians expect more.

I'd like to get into something. Just the other day.... I know how the minister and his staff follow media, especially small ones, even, like the Queen Charlotte *Observer*, where comments have been made. I'm sure the minister and his staff recently analyzed the media report last week that talked about the relationship between B.C. Ferries and the government. It said: "...a needless bureaucratic exercise that will sink more dollars that could much more valuably be used to buy new ships — one that illustrates the bizarre, wasteful charade put in place by the Liberals in Victoria to pretend that B.C. Ferries is no longer an arm of government." It goes on: "...trying to pretend that B.C. Ferries is now an entity separate from government."

Now, again, we're heading into the media where we've looked at a year of turmoil in B.C. Ferries — where we're looking at our marine highway system with no vision, no plan. It's more than just a few radicals to the left or to the right taking exception to where we're focusing on our marine highway. I'm just wondering how the minister would comment on that.

Hon. K. Falcon: Well, what I would comment on that is there are always going to be complainers out there. There's no doubt about that. The member opposite's one of them, but I think that the member opposite....

Interjection.

Hon. K. Falcon: Well, there are two of them.

The issue is.... For those out there that like to complain, and certainly the members opposite are good examples of that, I think the question you have to ask yourself is: is what we have today better than what we had under the NDP? Apparently, these members think not. Apparently, these members think we need to go back — in fact, the Leader of the Opposition has said this — to a Crown corporation. My goodness, that was the apotheosis of good corporate governance.

There are some folks out there that disagree. Allow me to quote a couple of them. In the year 2000 the Canadian Taxpayers Federation awarded the NDP government an award. I think it's great when the government gets awarded an award. However, this one is probably not one they celebrated. It was the top prize for government incompetence. The winner had to: "most exemplify government waste, overspending, overtaxation, excessive regulation, lack of accountability or any combination of the five." Congratulations, because your government, with B.C. Ferries, led the way.

Another one. *Ivey Business Journal* — a very well-respected publication; one of the top publications in the business sector — cited the NDP's fast ferries management as "a case study in how not to govern." A case

study. Not just a bad example, but: "Let's actually use this and teach students this is how you should not govern."

That's your model, member. That's the model that you want us to go back to. That's the model that the NDP wants to see go forward, a model that is so totally discredited that the *Ivey Business Journal* uses it as a case study in how not to govern.

Well, let me tell you: we are not going to be using that model. We are using a model that today sees a \$2 billion capital investment in a fleet upgrade, almost a complete and total fleet upgrade — brand-new vessels, vessels that are entirely retrofitted — to finally catch up from a decade where there was just an enormous amount of waste.

That is my answer to that question. That's why we set up a structure like we did following through on the recommendations made in multiple reports. That's why we did it. That's why we now why have a situation with an independent Ferries commissioner, with an independent board with community representation, with Ferry advisory committees, with audited financial statements, with an annual general meeting where the executive can be questioned directly by the public. That is accountability.

The Chair: May I remind all members to direct their comments through the Chair.

G. Coons: Through the Chair to the minister: yes, we do have a disagreement. There are a couple of issues I want to respond to when we talk about the quote and where we're going with our ferry system. The minister has indicated quite clearly that their concept of our integrated marine highway system is free from political interference, but then again, we have the appointments of the commissioner and the majority of the board of directors being appointed by the government. We have no freedom of information. That's more political interference.

[1030]

Throughout the contract, you know, the government says they are at arm's length and they are free from political interference, but we have the minister directly involved in okaying fuel surcharges, whether or not the government will soften the impact. And he has that decision when fuel surcharges are okayed. We have the minister and his staff directly involved with the northern service strategy and negotiating about the vessels that are going to be out there.

We have the pre-approval of fare increases. We just had a fare increase in January, and there is another fare increase. Supposedly, CEO Hahn has announced that it's a three in seven, but it's a bit premature, as the commissioner has indicated that all the information and data has not been sent to the commissioner to confirm that. But again, the pre-approval of the fare increase was done, also, with the okay of the minister.

We have fuel conservation, where the commissioner has indicated that the two partners, B.C. Ferries and the government, need to look at conserving fuel

and look at what aspects they need to do that. The sole shareholder of B.C. Ferry Services is the Minister of Finance — whatever that means. That's really hard to get a grasp of, where it's a private corporation but the main shareholder is, lo and behold, the Minister of Finance.

We have the minister's B.C. Automobile Association address, where he indicates: "B.C. Ferries President Hahn has been instructed to bring forward a plan restoring services to communities on the northern routes." We have the minister instructing the CEO, and B.C. Ferries referring to the government as the sole decision-maker. So I find it hard to believe that this government is saying that they are arm's length away, that there is no political interference. The charade, the shell game, that we're doing with the finances between the government and B.C. Ferries is something that was highlighted last week. That's something that I think British Columbians, through the public interest, need to get a grasp of.

I think there's one other concept here. The shipbuilders union, back in 2004, indicated that there are communications between the minister and CEO Hahn when dealing with the super-Cs sell-off to the highly subsidized foreign shipbuilders. They had on their webpage some communications between CEO Hahn and the minister, so I...

Hon. K. Falcon: Read it into the record.

G. Coons: Pardon?

Hon. K. Falcon: Read it into the record.

The Chair: Please direct all your comments through the Chair.

G. Coons: I would like to do that.

The e-mail sent Wednesday, July 28, to Minister Falcon, subject: minister.

We will set the record straight once and for all on the new build program on Friday with an all-out media campaign to ensure everyone in B.C. hears our story. I will return late on Thursday and lead the media blitz myself. I will arrange for your office to receive an advance copy and assure you our case will be presented in clear, concise terms that will make sure the public understands the issue.

I thank you for your patience and support of our plans and independence. We won't let the people of B.C. be misled on any issue, not just shipbuilding.

Thank you,
David L. Hahn

The very next day there was a press release, a three- or four-page press release, from minister Hahn dealing with the super-Cs and again lambasting the opposition, the previous government. I would say this is a clear case of this government... It's not free from political interference and not an arm's length away. I think that needs to be on the record also.

I would hope that as we move forward with this, the minister realizes the charade that's happening for

the Coastal Ferry Act and put together, as I suggested, a legislative committee to look at a vision, to look at where we need to go and to talk to ferry-dependent communities to see where we need to go with our ferry system.

Hon. K. Falcon: Apparently, the member's research department is up to its usual non-performance, because actually, everything that that member talks about being interference is actually statutory. That's in the act. The member should read the act. It might be helpful if the member reads the act. It would save us a lot of time in estimates having to educate the member on the fundamental premise of what the statutory obligations of the independent Ferries commissioner and the Ferries Corp. are in relation to the provincial government.

[1035]

Now he talks about fare increases. It's statutory. It's in the act. They're capped. There are fare increases in the act. It's all statutory, member. Take your time to read it. I think it will help you.

In terms of fuel surcharges, again it's statutory. It's in the act. They can come forward. They can make a request for fuel surcharges. You know, they've got a \$22 million additional cost on fuel surcharges. They have an ability to go to the independent Ferries commissioner and make a request, and that's exactly what they did. The independent Ferries commissioner disagreed with the amount they asked for, if my memory serves me correctly, and gave them substantially less. At the same time that the independent Ferries commissioner gave them substantially less than they asked for, he also said: "We want you to bring forward a program and demonstrate to me that you're undertaking every effort possible to save and conserve fuel."

The member says that somehow I'm involved. I wasn't involved. I didn't make a single decision about fuel surcharges. I could be involved if I wanted to be, because statutorily I have the right to step in and say: "The province will happily take over those fuel surcharges and pay for them." I chose not to do that. That's a decision I made. Why did I make that decision? Because fuel surcharges are a reality of life in every sector, whether it's buses, airlines, taxis or ferries.

I think that the independent Ferries commissioner did exactly what we expect an independent Ferries commissioner to do — totally independent of government, with statutory authority defined in legislation which this member has not read. He looked at the request, examined the request, disagreed with the request in its quantum and made an adjustment, told them to go back and do their bit to conserve fuel. And the member has problems with that.

The member talks about the fact that we dared to ask them to go and consult with communities with respect to replacement vessels on the north coast. Yes, I did direct them to do that. I wanted to make sure that the communities had every opportunity to be involved in that discussion.

What the member doesn't understand — again, because he hasn't read the legislation, apparently — is

that we provide a subsidy for those routes. If they are to replace those vessels, we're going to have to increase the subsidy commensurate to allow them to undergo replacement of those vessels. That's a negotiation that takes place between us — the government — and them — the contractor providing the service to the government, including the service to the north and midcoast.

I don't know what part of that the member has difficulty with. I, for the life of me, have difficulty understanding. To the member, this is somehow political interference. Well, it isn't. What it is, is a lack of research on the part of the member of the opposition.

I think that what the member could do, and do himself a great deal of service, is actually go and read the statute to understand what was actually passed. Go through the original debate on the legislation, where so many of these questions were canvassed at the time by the former Leader of the Opposition — and very effectively, I might add. That would probably educate this member far more and allow this member to focus on issues that I think are more germane.

G. Coons: Again, you refer to the commissioner as having complete control of the public interest, but on his website the priority of the commissioner.... "Priority is to be placed on the financial sustainability of the ferry operator." When we start looking at what's best for ferry-dependent communities, what's best for first nations — such as the Kuper Island, who are in dire straits with ferry increases and fuel surcharges that this minister does have control over, basically....

When we look at section 5.02 of the coastal ferry services contract, which this government signed with B.C. Ferries, it states that ten days after the commissioner's preliminary decision on a fare increase, the parties will meet — the government and B.C. Ferries — to review this decision and discuss whether the province is willing to increase the service fee. Also, it says somewhere along the line that if the minister decides to soften the impact, then they could increase the service cap on that.

My question: why have you not softened the impact on any ferry-dependent communities, and will you in the future?

[1040]

Hon. K. Falcon: Well, largely because I think the impact is modest on the minor routes.

We had a group of folks here protesting, as you'll recall — led by one of your colleagues, the chair of the regional district, Mr. Abram — horrified at the increases that they have suffered over the last three years. I pointed out to them that for the average passenger, it represented about an 83-cent increase over three years; for a passenger with a vehicle, about \$2.10 over three years. That's all of the increases — the annual increases, the fuel surcharges.

I'm not saying 83 cents isn't insignificant, but let's put this in perspective. Virtually every sector, as I've said to the member, is facing this challenge. I made a decision that no, I'm not going to step in and relieve

that obligation. I'll accept responsibility for making that decision, because I think it's the right decision.

It's not unusual. As I say, every other sector — taxis, buses, airlines and ferries, of course.... Go look at the other ferry services — Washington State ferry services. They're all facing the same challenges. I think the independent Ferries commissioner has performed his duties exactly as we would expect them to be performed.

The member also talks.... I have to admit I was a little surprised to hear the member say this. I guess I shouldn't be. I always hoped that they'd learned something from the '90s, but the member is complaining about the fact that financial sustainability is one of the principles that the independent Ferries commissioner has to consider when applications are being brought forward.

The member doesn't agree, apparently, that financial sustainability should be one of the underlying premises. Apparently, he wants to go back to the days.... Forget financial sustainability. Just run it, and to heck with what all the costs are. Keep building up the debt. The member knows they had to write off over a billion dollars worth of debt on the corporation. No fleet reinvestment. I mean, I could sit here, member, and just paint a picture of what happened to that ferry corporation over the last decade that is just unbelievably devastating.

I've even spoken to the union leadership, who will say that the changes have actually been pretty positive for workers. I think that's a pretty positive thing. Yet the member wants to eliminate financial sustainability as one of the principles that ought to govern the operation of the Ferry Corp. I'm just really surprised to hear that, and I appreciate the member putting it on the record.

G. Coons: At this point I might like to know: what is the definition of "public interest" to the minister?

Hon. K. Falcon: The definition, to me, of public interest is ensuring that they have a ferry corporation which is meeting their needs by providing first-class service; on-time scheduling at a reasonable cost protected by statute, as it is with fare increases; representation by the public; and the ability to be involved in every aspect, from questioning the CEO and the senior executives at the annual general meetings to being able to simply go on line and get the absolute latest in audited financial statements in all of the financial issues that they have to be involved. All of that is on the website, available for any member of the public to look at. That, to me, is serving the public interest.

The public interest is not served when you have a Crown corporation operating in a reckless manner; delivering poor service with old vessels — average age of 40 years; no reinvestment in the fleet; and political interference grossly undermining the operation of the ferry corporation, under some kind of bizarre false pretence that somehow it is better for the public when you have a Crown corporation being ravaged by political and bureaucratic interference. Somehow that is in

the public interest. What a load of nonsense. What a load of nonsense, and that is something that I will never, as long as I am standing and an elected member of this House, move towards.

Member, I'll tell you this right now. Don't hold your breath looking for a committee to figure out how we can bring this under Crown corporation status. It will not be happening under this government.

G. Coons: Before I get to my next question, I just I want to go back to the fare increases. In the last 11 months there have been 11-percent and close to 21-percent fare increases. Since 2001 it's been up to a 37-percent fare increase to ferry-dependent communities. It's a hit, as the minister knows. For every increase in fares of 10 percent due to elasticity, the travelling public goes down.

[1045]

As we comment on public interest, it sounds like the minister's definition of public interest is: you'd find it on the website, and this government is not accountable to the public interest because it's on the website.

Going back to Crown corporations and one of the reports, the Morfitt report — the Auditor General — that the minister has constantly referred to.... One of the quotes from Morfitt was a section on providing ferry services through a Crown corporation:

The idea of using Crown corporations to deliver publicly provided services of a commercial nature is sound. Properly applied, such an administrative mechanism can be more cost-effective than direct service by government because it gives more room for the application of business practices.

It goes on to state:

This means that the government is unlikely to get the benefits of a Crown corporation approach...given that B.C. Ferries operates an essential part of the province's transportation system and is vital to the social and financial well-being of many Vancouver Island and other coastal communities.

Would the minister agree with the Auditor General — not with the Canadian taxpayers association, but with the independent Auditor General — when he states that the idea of using Crown corporations to deliver publicly provided services of a commercial nature, like B.C. Ferries, is sound and can be more cost-effective?

Hon. K. Falcon: Yes, and I would agree, because he's saying it would be more cost-effective relative to government being involved in making those decisions. Who could not agree with that? But I also agree, as I say, with the *Ivey Business Journal*, which cited the B.C. Ferry Corp. and the ferries mismanagement as a case study in how not to govern.

I would also encourage the member, because I know the member has got the Wright report, to go to page 1 under "Governance," the very first page, which makes it easy because it's right under the executive summary. I'm going to read this into the record because I think it is so germane.

What we're having here, and everyone should recognize this, is a very fundamental philosophical debate

about the role of government and how to deliver services most effectively to the public — the 20 million people a year that use the Ferry Corp. We have an important philosophical divide here, and I think it's.... I appreciate the member.... As the member knows, I am engaged by this debate because I think it's so fundamental as to identify the cleavage between the opposition and government over this kind of an issue.

The member needs to know that I agree with the Auditor General. He's right when he says a commercial Crown corporation with the appropriate independence from government is a better way of managing things than government directly. I would agree. But we also followed what Fred Wright said. Under "Governance":

B.C. Ferries is entangled in a web of formal and informal accountability to various government agencies, ministry personnel and politicians that it is powerless to change. Its enabling legislation provides that the province, not B.C. Ferries' board, make all significant decisions.

Now think about that. You've got a board, but it ain't the board making these decisions. It's the province. I'll go on quoting directly:

As a result, the province's policy imperatives can, at times, conflict with B.C. Ferries' primary goal of serving its customers. This was most notably the case when the public policy priority to rejuvenate B.C.'s shipbuilding industry, through the export of aluminum ferries, overrode B.C. Ferries' objective to provide cost-effective, customer-focused ferry service. But political interference is not limited to such a high-profile example. It pervades every important decision, whether it involves service levels, tariffs, labour negotiations or the purchase of new vessels.

That, to me, is a pretty compelling paragraph from an individual who enjoys unparalleled respect in the business community.

At the very bottom of that page, member, I'll encourage you to just go to the last sentence there, because he talks just prior to that based on the review of the Ferries corporate strategic plan and financial forecasts, etc. He talks, in the final sentence, about:

[1050]

A scenario modelled in our report results in B.C. Ferries borrowing \$1.2 billion in addition to the \$1.6 billion in government subsidies over the 15-year period. This extraordinary result is a distinct possibility under the existing governance structure.

That is why he then goes on to recommend that its powers must be vested in an independent board, independent of government, with the ability to make decisions in the best interests of the travelling public.

Ultimately, you come to the point of this. A Ferry Corp. that serves 20 million-plus customers a year.... Will all 20 million be happy? Will they have a happy experience? Clearly not. The member has identified some from small communities that have complained about the fact that they've seen fare increases in the 35-percent range. Again, as I point out to the member, you've got to put it in perspective. The perspective, as I said before, is that you're looking, on average, at about 83 cents over that three-year period, including all the increases. That's the 35 percent the member speaks to.

Finally, I say that you have to look at the customer satisfaction tracking, where they independently survey

thousands of people that actually use the ferry service. What does it show? Increasing satisfaction with the Ferry Corp.: 88 percent. It's a pretty good rating. Most governments would love to have that kind of a rating.

G. Coons: Again the minister wants to quote from the Wright report, which he says is totally consistent with their direction with the Coastal Ferry Act and what they've done to our integrated marine highway system. I would like to go back to the Wright report and look at the very last page of the report — I guess it's page 37 — where it says "an integrated marine transportation plan." Wright says, "It is imperative that an integrated marine transportation plan be prepared" which looks at the roles of roads, bridges and other competitive transportation alternatives.

Also, it has in the Wright report, "We recommend that the province review alternative approaches to the delivery of ferry services," with the objective of commercializing to the greatest extent possible. My question is to the minister: has the province reviewed alternative approaches, and have they done, as Wright recommended, an integrated marine transportation plan? If so, where can that be found?

[1055]

Hon. K. Falcon: First of all, the member should know that B.C. Ferries is required to prepare both a strategic plan and a business plan, all of which are available for the member's perusal. The member is correct that the provision of ensuring that they provide a plan for alternative service delivery under section 69 of the Coastal Ferry Act is a statutory requirement. That is something they are required to do, and Ferries, consistent with section 69, submitted an alternative service delivery plan to the commissioner, consistent with that section, that was approved by the commissioner.

What we're talking about there, to be clear, is that there is a requirement. There is, if anything, a greater discipline now imposed on the Ferry Corp. because, if you'll pardon the expression, they can't become lazy and allow themselves to provide a less efficient service. If there are others out there that are prepared to provide that service or a greater level of service for lesser cost, they have the ability to do that. That keeps the Ferry Corp. on its toes too.

I would also like to just comment on the Morfitt report. I appreciated the member reading out that section, so I took a look at it here quickly. It is interesting that Morfitt says:

It is imperative that assigned responsibilities be clear, and that those assigned a responsibility be allowed to carry out that responsibility without encumbrances or interference.

Then, to quote the paragraph that the member opposite quoted:

The governance structure was complex, with many people and groups involved. Ultimately, however, it failed to safeguard those directly involved and other stakeholders. The decision to undertake the fast ferry project was not properly supported, and people were not informed when things started to go wrong.

Excuse me; that was not the paragraph the member opposite quoted. The member quoted this one, and this is again from Morfitt:

The idea of using Crown corporations to deliver publicly provided services of a commercial nature is sound. Properly applied, such an administrative mechanism can be more cost-effective than direct service by government because it gives more room for the application of business practices. However —

This is important. The member didn't read out this part:

— B.C. Ferries has not been allowed to apply these practices in an organized and consistent way.

He goes on:

The act setting up B.C. Ferries provides for cabinet, not the corporation's board, to make most key decisions, including approving route additions or deletions; approving fares, tolls and other charges; and approving corporate borrowings. Also, since capital plans need cabinet approval and capital budgets need Treasury Board approval, construction of ferries or terminals is also ultimately a government decision. In short, B.C. Ferries does not have control over most significant decisions that affect its financial and operating performance. Most key business decisions are made outside B.C. Ferries —

Then he says:

— and at times contrary to B.C. Ferries' advice, by elected officials —

That's us.

— who also have responsibility for many other important areas of government. As a result, decisions about B.C. Ferries' business are often ad-hoc and lack consistency. For example, decisions about fares have not always been integrated with decisions about subsidies, routes, capital expenditures or service levels.

This is exactly what I'm talking about. This is exactly the road map that was painted by the Auditor General and Fred Wright. What they were essentially pleading for is that there needs to be a structure where the independence of the board and the corporation from government is so certain that they can make decisions free from political interference or bureaucratic interference.

The statutory obligations that guide them are laid out very clearly in the Coastal Ferry Act: the service levels that they are required to provide; the need for the public to have an avenue through the independent Ferries commissioner with statutory authority to act and direct, if necessary, the ferry corporation to change its ways if they're operating inconsistently with the needs of the public.

[1100]

I stand before this member and respectfully say that what we have done is implemented exactly what was recommended. I think that the results in terms of how the Ferry Corp. is running now.... It is financially stable, borrowing dollars independent of government, responsible to the marketplace for the dollars they borrow. It's a huge financial accountability, and frankly, not so much with this elected Minister of Transportation but with the financial community and the Ontario Securities Commission, who are far more vigorous in their financial oversight than any legislative members ever would be.

[V. Roddick in the chair.]

G. Coons: Again, I guess we can debate back and forth, look at the three "independent" reports and how consistent or inconsistent they are from where we went with our Coastal Ferry Act. But I would say that a key is when B.C. Ferries receives a clear mandate and understanding of the province's expectations.

That's one of the recommendations on page 2. The province's expectations, I would think, would come through their integrated marine transportation plan, and they would present that plan through to the Minister of Transportation to the Legislature. I think that's maintaining the scrutiny, the accountability, making it available to the Auditor General, making it available to members of the Legislature and having freedom-of-information access, which it does not. That's the main concern that we have out there as part of the complainer role, I guess, as the minister would like to call it.

I'd like to get back into the price cap increase, so back into the services contract. When the commissioner receives an application for a price cap increase, he allows 20 days for public input. In my meeting with the commissioner.... He usually receives hundreds of responses, and this is summarized in a couple of lines. In a ten-day period after that, when the minister or his staff reviews whether or not the minister or the government will soften the impact of fuel surcharges on ferry-dependent communities, does the minister or his staff request all the submitted public input from the commissioner so that the government can make an informed decision?

Hon. K. Falcon: No, that's information that is for the benefit of the independent Ferries commissioner, not for this Minister of Transportation. As I have said before with regard to fuel surcharges.... Look, I get people who would rather not pay them. Who out there thinks that somebody's going to e-mail the independent Ferries commissioner and say: "Good on you. I'm so thrilled to see that Ferries is applying for a fuel surcharge"? Give your head a shake. Obviously, that's not going to happen.

I can tell you what the public does recognize. They feel the same way I do. I'd rather not have to pay fuel surcharges when I take the ferry — no question about it. I'd rather not have to pay them when I get on an airplane — no doubt about it. And I'd rather not have to pay a surcharge when I'm taking a taxi because of the cost of fuel and how it impacts them — no doubt about it.

You know, I'm a politician. I'm keenly aware of the fact that the independent Ferries commissioner probably gets mail that I would guess is probably 90 percent saying: "It's terrible. Don't give them a fuel surcharge." Here's the difference, though. Here's the difference. Under the way the member wants us to operate, that should come directly to politicians, and politicians should feel that heat and make decisions that aren't sound decisions for the stability of the financial sustainability of the Ferry Corp. He wants us to interfere because of public pressure.

I can tell you, member, I know exactly what that public pressure is all about. I can tell you that when the Ferry Corp. made the decision to go offshore and build three super C-class ferries in Germany, there was a lot of public blowback. There was a lot.

I can tell you that I've never been prouder of the fact that we stood up and would not interfere with that decision, because you know what? Especially now, I look back and realize that not only was it the right decision not to get involved; I can tell you that it saved taxpayers tens and tens and tens of millions of dollars. Literally, only weeks after signing that contract, a fixed-price contract that locked in the cost....

[1105]

Think about this. What is the biggest ingredient that goes into the construction of ferries? Steel. Guess what happened to steel prices mere weeks after that contract was signed — a fixed-price contract with one of the most successful vessel-building marine shipyards in the world, in Germany? The price of steel went up dramatically — 40 percent. The member can do the math — \$300 million, 40 percent, \$120 million of potential additional costs that will not be borne by the Ferry Corp. Certainly, under the member's model, it won't be borne by taxpayers.

The Ferry Corp. made exactly the right decision, because the local ferry shipyards at the time wanted government to interfere and make sure it was given to them. I understand all the rationale; I know the jobs argument. I understand all of that, but it was not going to be on the basis of a fixed-price, date-delivery-certain contract that they entered into. So we are talking about savings of extraordinary amounts of money, and that decision happened only because they could make that decision independent of political interference.

I can tell you, the political blowback.... I had MLAs coming and visiting my office, who were very concerned about the politics of this decision, but I never wavered from the fundamental rightness of the decision. That is so exemplified in those independent reports — the Gordon report, the Morfitt report, the Wright report. That's exactly why they were recommending that, and it's the same on fuel surcharges.

If we feel that fuel surcharges are getting to some point where we think there is a serious issue that needs to be addressed, we always have the right to step in — no doubt about it. That's why it was written into the statutory authorities that are laid out in responsibilities of the province. But as I've said to the member — and I've been quite open about this fact — I don't think that fuel surcharges, frankly, shock a lot of people. I speak to a lot of British Columbians, day in and day out, everywhere I go. I can tell you that while they're not going to be thrilled to have to pay any surcharge, most people recognize the need and the reality of what's happening with oil prices around the world.

The Chair: I would just like to remind both sides of the House that you direct your comments through the Chair.

G. Coons: To the minister: you mentioned saving tens and tens of millions of dollars, and I'd like to come back to that in a minute. But when you start looking at some of the constituents, some of the British Columbians who rely on the ferry service and are hard-hit....

I mentioned Kuper Island as an example, and I'm sure there are many more. From the *Times Colonist* on December 30 last year, Commissioner Crilly visited the community, and he fully understood that the community is far from well-off, and it's their service.... The ferry service is a lifeline; it's quite unique. They have to leave the island for almost all employment, even to go to the bank. There's not a store on the island.

What we're having — and I'm sure the minister has received letters, or his staff has, from the chief there — is that people are collecting cans and bottles so they can go get groceries, go to appointments, take the ferry system.

Minister, Crilly says that if there was a solution that could lead to a lower-cost system, in which the savings could be passed on to the ferry customers, it would be a win-win situation. Perhaps there's another transport solution, he says, which might save money and keep fares down.

I'm just wondering: when the minister is deciding whether or not he's going to increase service fees — and he can do that on certain routes, as far as the service contract.... Why hasn't he considered softening the impact of fare increases on residents such as on Kuper Island — and I'm sure there are many others — throughout the ferry-dependent communities?

Hon. K. Falcon: I apologize, member, but I'm not sure I got the question. I'm not sure I understood what the question was on that.

G. Coons: I'm just wondering if the minister would consider, in the aspect of the new relationship — as far as some communities out there that are really hard-hit with unemployment, with services that they have to take the ferry for — whether or not that would perhaps cross the tables of the minister and/or his staff, or if that might be a route that might have a softening of the impact.

[1110]

Hon. K. Falcon: To the member: we're always willing to have a discussion with the first nations community if there are changes to the level of service that could impact the tariff and keep the costs down or reduce the costs. That's certainly a discussion that we would be happy to have.

I can tell you that I'm extraordinarily proud of the work our government is doing in working with first nations. Certainly, the economic development measures that we've put into place — tens of millions of dollars — have been all about trying to create economic opportunity. It's particularly challenging for very isolated communities. I acknowledge that. It's always a challenge to create economic opportunity when there's some pretty significant isolation, but we're working hard to do that.

That's what the \$100 million New Relationship fund is all about — to try and create some opportunities for first nations to create organic economic growth within their communities. That is a big challenge, and I don't pretend to minimize that at all. Certainly if the independent Ferries commissioner, after visiting a community like that, has some recommendations.... It sounded like he did. He sounded like he was talking about whether there are other transport solutions that could be looked at, which sounds similar to alternative service delivery to me. Maybe there are other ways of delivering better service at a lower cost to those folks. We will always be willing to engage in those discussions with communities like that to see whether that can in fact be achieved to mutual benefit.

G. Coons: Yes, I guess that might have come out of the Wright report if there had been an integrated marine transportation plan put out there, so that people could look at alternatives prior to getting into the situation.

I'd like to get into something about the northern strategy. The minister yesterday, in his opening comments, talked about the sinking of the *Queen of the North*, the heroic actions of the people from Hartley Bay and the stellar performance by the ferry crew, with both CEO Hahn and the Premier going to Prince Rupert and realizing the significance of the event.

I'm pleased that they did go, because now they realize the importance — again, as they probably well did in the past — of our vital lifeline to all aspects of economic development and tourism, and the problem that we're working on there. I hope that the minister, going through and across ministries, is working towards a plan to look at not only this summer but previous summers. I've gone through that with the Minister of Tourism, so I won't go that far right now.

As far as negotiating strategy, is that public information yet? Can we get the actual northern strategy plan and how much was set aside for the vessels? Where is that money coming from?

Hon. K. Falcon: The member may recall that it was on March 22 — in perhaps the irony of ironies — that I was going to Treasury Board, on the very morning that the *Queen of the North* sank, to approve a service fee adjustment that will allow the Ferry Corp. to go forward with the replacement of the three vessels to be delivered later in the decade — or, of course, to seek the alternative service delivery provider option that they're required under statute to look at. That plan, obviously, is changing to the extent that we now have a *Queen of the North* that sunk.

[1115]

I can't give the member a straight answer only because right now the Ferry Corp. is working overtime to try and deal with this situation, including identifying those shipyards that would be capable of undertaking construction of these replacement vessels immediately. They also have to factor into that equation the question of whether they're able to acquire a vessel. If they're able to acquire a vessel — whether that's a vessel in

sufficient condition that they would actually keep it for the long term, thereby requiring only two new additional vessels, not three, etc.

There are a bunch of factors that go into this. Ferries is putting together a service recovery plan. As you know, they've consulted very closely with community leaders, the northern ferry advisory committee and representatives of the tourism sector.

As I have always tried to be in this situation, I think the first thing we have to be is just very candid and honest about the fact that there is going to be an impact. I don't think we should ever kid ourselves about the fact that there is just clearly going to be an impact. The issue is to try and minimize that impact as much as humanly possible within the realm of the reality that there may not be a vessel they can pull on stream quickly enough to deal with some of the short-term challenges. The member knows we are working cross-ministry and liaising with the folks in the affected communities to try and do everything we can to ameliorate the impact in the short term.

G. Coons: Through to the minister and his staff: I guess I still have a couple of questions. The northern strategy plan is in possession of the minister. I'm wondering: is that available? We think the amount was \$300 million to \$400 million for vessels. I'm just sort of wondering if that amount is going to be made public to taxpayers, where it will come from and who will be paying for the vessels — whether the government will be subsidizing that. Or will it come from users?

Hon. K. Falcon: The member can well appreciate that the northern strategy is obviously going to have to be changed as a result of the rather extraordinary situation we find ourselves in with one of the vessels sinking. That, of course, is something we are currently working on. As I say, B.C. Ferries is working hard to come up with a service recovery plan that will address some of these challenges.

In terms of the cost of vessel replacement, etc, it totally depends, of course, on what success the Ferry Corp. has in identifying whether there is an existing vessel plying the waters somewhere in the world that's capable of utilizing our docks here and the waters of the north and midcoast — which, as the member knows, are challenging at best. This is not still lake water we're talking about.

What I can tell the member, though, is that the taxpayer is not on the hook. The taxpayer doesn't borrow the dollars for the building of these vessels. What we do and what I went to Treasury Board about was providing an increased subsidy for what, after all, are pretty significant money-losing routes — to provide an increased subsidy, which allows the Ferry Corp. to go forward on their own, borrow the dollars in the private markets as they do on their vessel replacement program and have the ferries built.

Right now what they're doing is, as I say, trying to identify those shipyards which have the availability to get new ferries constructed as quickly as possible. At

the same time they're doing that, they're also, of course, searching to see whether they can find any existing vessels that might be able to ply the waters.

G. Coons: I realize the effort that B.C. Ferries and their staff are going through. It's stellar at this point. We all have a few blips and tweaks, and I'm sure we are going through them. People in the north are very optimistic and very resilient. As the minister knows, we will pull through and become stronger because of this situation.

[1120]

Again, I'm trying to grasp the money situation with the vessel. So the taxpayers will not be on the hook for the — I'm just picking a range — \$300 million to \$400 million for vessels? They've allowed B.C. Ferries to somehow access money. I'm wondering who will pay for the vessels. Will it be users on the northern routes, especially since cross-subsidization is part of the process of being eliminated? I'm just wondering who actually is going to pay for the vessels. Is it going to be users on the northern route, or will it be a subsidy from the government?

Hon. K. Falcon: It's a combination of both. The users clearly pay with the tariff and the fares that they pay, though that does not come close to covering the real cost, of course. So the balance is provided by an operating subsidy by the province. What we do and what we're in negotiation with and going to Treasury Board on that fateful day.... We provide an increase in the subsidy that we provide for the service. That increased subsidy will allow Ferries to go forward and borrow on their own in the private capital markets the dollars necessary to have new vessels built and operating on that run.

We are working with Ferries. Because of the unexpected and extraordinary nature of this vessel sinking — the first time in the history of the corporation — we are working closely with them to make sure the province is not a barrier to having them move as quickly as they can. We have given them every assurance — and I have personally given the assurance to the president directly — that we will work with them to make sure no speed will be too quick to try and restore service to the affected communities.

The member and I may not agree on much, but one thing we do agree on is the comments the member just recently made. He's right that northerners are incredibly resilient folks. They have gone through, frankly, 15 years and maybe more of very difficult economic challenges. The last thing they needed was another challenge, and we will continue to work hard to do everything we can to try and ameliorate that impact.

I can't tell you how moving it is for me when you see.... I remember talking to my colleagues when the first cruise ship showed up in Prince Rupert, and the entire town virtually came out to greet the passengers as they came off. That must have been an extraordinary sight for visitors, wondering why the entire community has come out, but that's the nature of the folks who live on the north coast.

Certainly, I'm pleased to see construction starting on the over \$100 million that's being invested in the new Port of Prince Rupert. Hopefully, that will provide some sense of hope. While everyone was thrilled to see the commitment that was made by the province, the federal government, CN and the private sector, I think that until they see shovels in the ground and things happening, it's hard for them to translate that optimism into reality.

Member, I appreciate the question and your comments on the folks of the north coast.

G. Coons: Yes, it was a long haul for the Port of Prince Rupert, crossing all political lines and everybody working together — the previous MLAs, the previous MPs, local governments and business working hard, and we appreciate that. But again, when we start looking at our community, and being — I was going to say an ex-educator — an educator, I sort of see the strength of community as families moving to town and....

Our student enrolment in Prince Rupert is still decreasing — again, being one of the highest-ranked concerns as far as the EDI with Clyde Hertzman and having a real challenging time in our schools. We hope that in the weeks to come, Bill 33 will help alleviate that and that the funding is available for that. I see the real sign of a community is when our student enrolment starts to go up and families are moving to town. We're still a ways from that, so I appreciate the comments from the minister.

[1125]

I do have a concern about Deas dock. Looking at the time, I do have a couple more questions I'd like to get to. I've publicly had a concern about maintenance costs decreasing with B.C. Ferries and the administration costs in their financial plans increasing. When the Coastal Ferry Act was passed, the ferry dockyard became a for-profit ship repair facility. Since then the pressure to make profit, in some people's minds, has jeopardized ferry maintenance and upkeep. Given the rash of breakdowns in the past year or so and other issues that have occurred across the fleet, I'm wondering if the minister, in conjunction with his staff, will consider returning this dock back under B.C. Ferries' or the government's responsibility and control, ensuring that we get regular maintenance and upkeep.

Hon. K. Falcon: I think I owe it to the member to be really candid about stuff like this, so the short answer is no. But I want the member to know that issues of safety and maintenance and those issues are certainly important.

I can inform the member that I've met on at least two occasions with the president of the B.C. ferries union, who I have high personal regard for. I think that some of the issues she raised were issues related to maintenance and ensuring that the proper investments are made. One of the things I do know is that Transport Canada and, of course, the Transportation Safety Board, responsible for the oversight and regulation of the ferries, are extraordinarily rigorous in ensuring that there is no sort of cost-cutting when it comes to the

maintenance of ferries. I would hazard a guess that particularly after the *Queen of the North* incident, their oversight and scrutiny will, if anything, probably become even more diligent than it ever has been.

I will say this to the member. The oversight that is provided by Transport Canada, I think, has been pretty exceptional, and the record of the B.C. Ferries corporation is unparalleled. It's one of the best records of any equivalent-sized fleet anywhere in the world. The fact that that is the case is even more extraordinary given that the average age of the vessels in the fleet is well over 30 years. In fact, I think it is about 35 years. One of the challenges that B.C. Ferries faced, member, was that they.... Let's be honest. They inherited a pretty old fleet. I think that the workers have done an exceptional job of maintaining that fleet.

As I've said repeatedly after the sinking of the ferry in the north, there is not a vessel that sails if there's anything about it that's unsafe. That is one assurance that I wanted to make sure the public knew. No vessel will ply the waters anywhere in British Columbia unless it is deemed to be safe. In fact, the *Queen of the North*, as the member knows, had received a thorough inspection from Transport Canada nearly a month prior to the unfortunate incident which resulted in the sinking.

I think it's good for the member to bring that up. I think it's always good for us to ensure that everything is being done to ensure the vessels are well maintained. I can tell the member that I have the highest confidence in the work that Transport Canada does in overseeing that maintenance and safety program on the B.C. ferries.

G. Coons: My assumption is that the minister, when he met with the president of the ferry workers about their concerns.... It was probably after the report that they put out after the *Queen of Surrey* fire. The report of February 9 indicated that safety matters are governed by the regulators — as the minister indicated, Transport Canada and WorkSafe B.C. The union proposed that these, along with B.C. Ferries and the union, formalize a working group to review standards for — I need to get the terminology here — the SMS, the safety management system, because there were concerns about the safety management system from the union and how it's being implemented with B.C. Ferries. The union proposed working with B.C. Ferries to formalize a working group to review the SMS, conducting the evaluations to seek solutions to the problems plaguing the aging fleet, as the minister said.

Again, we don't want to get back to, "He said; she said; we did; they did," and a blame-blame. I think we want to move forward with our integrated marine highway system, get it back under the Highway Act and treat it as a key, vital link.

[1130]

It was stated that the other party of interest that must become involved in a transparent manner is the government of B.C., as the Coastal Ferry Act legislation turned over the assets of the ferry fleet to the new operator and, in the union's mind, without providing

proper support to upgrade and maintain the fleet. It was up to B.C. Ferries. Would the minister or his staff or perhaps even the sole shareholder of B.C. Ferries be prepared to become involved in a resolution process that reviews safety standards for our fleet, as was suggested?

Hon. K. Falcon: The member should know that roughly the same argument was made to me. The thing that I said at the time to the head of the union was that they need to work with the corporation and sit down with the corporation, as the corporation does with them on a regular basis, to have these discussions if they have concerns about safety that they don't believe are being addressed.

They also, of course, have the option of bringing those concerns directly to Transport Canada or the Transportation Safety Board, as I know they have — which, of course, will review any concerns that are raised. I know they have done that, so I think they're following the appropriate way of dealing with this.

No, we're not interested in forming a working group to try to get in there and, frankly, start interfering in areas where we don't bring a particular level of expertise. But we are involved in several of the ferry associations, which involve representatives of unions, staff from my ministry and the Ferry corporation and which spend a lot of time thinking about issues like safety and security on ferries. We work through those committees cooperatively, trying to bring forward recommendations that can enjoy fairly widespread support, which can create a better safety and security record on our sea-going vessels.

G. Coons: I thought I would be remiss if I didn't bring that up — from February 9 in the Transportation Safety Board's report on the *Queen of Surrey* fire.

Again, we can smile. I've been getting a lot of feedback on this. I've had a few interesting letters, and I'm sure the minister has had quite a few interesting discussions and comments about the force majeure. I can see from the smile that yes, it is an interesting concept.

In the application — I'm not too sure if it's a written application from President Hahn or B.C. Ferries or whether it was a phone call — to the minister, I'm wondering if, in their belief, it was a force majeure. I'm just wondering if they actually indicated what force majeure was in that particular situation.

[1135]

Hon. K. Falcon: The member is correct. I don't know that I've had a lot of mail on it yet, but I'm sure it's probably working its way through the system. The member knows I get a lot of mail — over 12,000 pieces a year, at least.

B.C. Ferries did write to my deputy minister indicating that they believe this was an incident of force majeure and sort of putting us on notice that they intended to utilize the force majeure argument. My deputy wrote back stating that at this point we don't accept their position of force majeure. I'll tell you that as I

have said publicly before, as the member knows, I don't accept or reject it at this time.

I think what we need to do is.... As my deputy likely pointed out to Mr. Hahn, they need to provide us more evidence of why this is a case of force majeure. I have no doubt that our lawyers will be engaged in some very vigorous discussion over this issue. I think one thing the member for North Coast and I do agree on — because I know he said it publicly, and I would agree with him — is that we may not ultimately know whether force majeure applies until such time as the investigations that are under way by the Transportation Safety Board are in fact completed.

I can tell the member anecdotally that certainly, I have had people suggest to me — and probably to the member too — over the radio.... Maybe it was to the member. I can't recall. I recall a radio broadcast in which I guess you could characterize the comments as being: "How the hell do you crash a boat into an island and call that an act of God?"

Interjection.

Hon. K. Falcon: That's right.

That is not the official position of the Minister of Transportation. I want to underscore that. That is, I think, a characterization of an initial reaction of what some members of the public may believe about that, and they may very well ultimately end up being correct. Our position at this point is that force majeure is a contract term which is defined and on which, at this point, we have some disagreement with B.C. Ferries. Our lawyers will negotiate with B.C. Ferries and try and resolve that.

G. Coons: Yes, and it is in the contract. Under the Yale Library advice on negotiating force majeure, it says that when negotiating force majeure clauses, parties must set out specific examples of acts that will excuse performance of the clause, such as wars, natural disasters and anything outside of the party's control. Inclusions of examples will help make it clear that it's the party's intent that such clauses are not intended to excuse failures to perform for a reason within the control of the parties.

I would say that yes, in the negotiations of the contract with B.C. Ferries, the lawyers did do their jobs. Under force majeure, there are acts of God; changes in federal laws; government restrictions on imports, exports; and wars, fires, floods and storms, strikes and lockouts.

Being an educator, if somebody was absent, I would want to know why. Were they sick? Was it excused? Was it medical? Were they on a field trip? It's listed there, and I would think that because of the contractual resonance behind this and the good job that the lawyers did, B.C. Ferries should have come out with: "Well, maybe it was the storm. Maybe it was a change in federal law or a government restriction."

That is why I'm curious on what classification of force majeure B.C. Ferries had indicated. There is not really a question there, I don't think, unless you....

Hon. K. Falcon: I appreciate the member bringing that up. This is one of those rare instances where I agree largely with the sentiment of the member opposite.

That, in essence, is what my deputy has written back to the president of B.C. Ferries to say — that on the surface you are asking that force majeure be invoked and that we, at this point, disagree with that characterization and would like to see more evidence exactly along the lines of what the member said.

I appreciate the member making the comment about the fact that the contract is fairly clearly written, well written — and well drafted, I might add, by the lawyers that no doubt were involved in the drafting.

[1140]

I think the member's points are very valid. That's exactly the kind of additional information that my deputy is asking from Ferries. And as I say, the position of this minister is.... I would point out that unfortunately.... This rarely happens in the media, but there were some media stories published that incorrectly suggested that I had agreed with the characterization that Ferries had come forward with. That was not the case, nor was it ever the case, nor had I ever said anything remotely close to that.

All I've said publicly now — to correct the record that was incorrectly put out there that I had agreed with the decision of force majeure — was simply that we didn't accept the decision that was made. We haven't accepted or rejected it yet. My deputy has written back and informed them of that, asked them to provide the supporting evidence that would back up a force majeure argument, and that's a discussion that will no doubt continue. I appreciate the member bringing that forward and reading into the record some of the examples, because I think the member is exactly right.

G. Coons: I am cognizant of the time here, and I've got a couple more questions. Whatever I don't get to, I hope that I can put in writing to the staff and perhaps get a response.

I am just wondering about the federal subsidy that is transferred over to the government. Does B.C. Ferry Services directly get this subsidy, and how much is it?

Hon. K. Falcon: The dollars flow through the province, and we flow it right through to the Ferry Corp. For the benefit of the member, the most recent federal payment amount for '06-07 is \$25,309,196.68 — \$25 million, roughly. Typically, it's adjusted annually for an inflation amount. I think it's usually about 2 percent, but I'm just going by memory.

G. Coons: Correct me if I'm wrong, but I'm under the impression that the amount of the subsidy is based on the route mileage between the two water links between the mainland of British Columbia and the southern portion of Vancouver Island and connecting the northern portion of Vancouver Island to, I would say, Prince Rupert. I'm just sort of wondering about the jurisdiction behind there as far as the amounts.

Hon. K. Falcon: The agreement doesn't specify that the dollars be applied to any particular route. It just provides a dollar amount that is adjusted in accordance with the Vancouver CPI rate, the inflation increase rate, annually.

G. Coons: A question, again, on the subsidy. In my reading of a briefing I got, the province agreed that in accepting the subsidy for ferry, coastal freight and passenger service in British Columbia coastal waters, it would assure reasonable and adequate service and appropriate supervision thereof. Is that one of the roles of your four staff?

Anyway, could you determine the roles of your staff also, please?

Hon. K. Falcon: The staff are there to administrate the Ferry Services contract and the ferry terminal leases. That is overwhelmingly the priority of their job description: to make sure that Ferries is operating in

accordance with the contract and, of course, to oversee the ferry terminal leases.

[1145]

G. Coons: One last question. This was handed to me, and I hope the minister can respond to this before we rise and report. How much money has the minister's ministry given to Legacies Now in 2006-2007?

Hon. K. Falcon: To the best of my knowledge, none.

G. Coons: I'd like to show my appreciation for the answers and the debate. I hope we can continue this in other formats — hopefully, closer than on radio shows and in the newspaper.

I would like to thank the Chair, and I would like to rise and report progress.

Motion approved.

The committee rose at 11:46 a.m.

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