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THE HONOURABLE BILL BARISOFF, SPEAKER

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SECOND SESSION, 38TH PARLIAMENT

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Honourable Bill Barisoff

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TUESDAY, MAY 2, 2006

The House met at 10:03 a.m.

Prayers.

Petitions

Hon. S. Hagen: I rise to present a petition submitted by the Voices Against Child Abuse Society.

Orders of the Day

Hon. B. Penner: Mr. Speaker, I call continued estimates debate in this House. I call the continued estimates debate for the Ministry of Forests and Range. For the interest of members, in the little House we'll be debating the budget estimates for the Ministry of Economic Development.

[1005]

Committee of Supply

ESTIMATES: MINISTRY OF FORESTS
AND RANGE AND MINISTER
RESPONSIBLE FOR HOUSING
(continued)

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

The committee met at 10:06 a.m.

On Vote 32: ministry operations, \$473,203,000 (continued).

B. Simpson: This morning what I'd like to do is discuss softwood, then move into industry issues on the coast and in the interior, and then from there move into some issues around the value-added sector. So that should take us quite easily through this morning's session.

Softwood. We've been working on softwood for some time. The minister stated the other day that we haven't had a deal for 30 years. I think history would suggest that that isn't the case.

The minister also said yesterday that what we ended up getting was the best deal available, where the Premier had indicated on Thursday that we got a good deal for British Columbia. We also note that even the B.C. Lumber Trade Council has indicated only conditional support for the deal.

My first question to the minister: is this a deal as it's been touted by both the Premier and the Prime Minister, or is it merely a framework for negotiations?

Hon. R. Coleman: It is a term sheet of a framework of an agreement. The member may not be... I'm not familiar with it either, but between the two countries, basically there's a term sheet. It's expected that over the next 60 to 90 days the actual document, which would

be the trade agreement, will be drafted and signed by the two countries. That's done, obviously, at the federal government level because it's an agreement between the federal government and the United States.

My understanding is that on the technical side, you would call this a term sheet or framework for an agreement. Basically, that means the two parties have identified the terms that they would have an agreement under. When you're announcing that you're there, that's the biggest step you take, and now you have to write the document.

B. Simpson: Given that even our own B.C. Lumber Trade Council is only giving conditional support to this, and given that analysts are now coming out and saying that maybe this isn't the best deal for us and maybe we shouldn't have been rushed into a deal, is there the possibility that while you've got the terms for an agreement, the actual negotiation process can come off the rails — and that, in fact, while we don't have a deal, we have some terms, and the negotiation process could actually end up in something that we're not comfortable signing?

[1010]

Hon. R. Coleman: I'm going to be cautious with my comments on this, because I wouldn't want to create any difficulty for the people at the federal level who are doing the final agreement. This is a term sheet and a framework to an agreement. As the member knows, whether it be a real estate deal or a business deal — whatever, I guess — when the ink has dried on the paper, the deal is final.

At this stage there is that term sheet. It's been agreed to by the two countries. One would have to suspect that there would be a lot of goodwill to have gotten to this point. I know that's the case on both sides of the border.

From here, I can't, in my mind, anticipate what might be in a document at that level of detail that could cause a difficulty. I'm sure those things would have to be worked out over the next 60 to 90 days. Anytime you're negotiating on language, legal language in a document, I would imagine there'll be some to and fro with regards to that. I think the fundamentals stay the same. Frankly, I can't think of anything that would change, but then I'm not going to be the lawyer drafting the trade deal on our side of the border or on their side of the border.

I think it's really a case of goodwill. When you come to a framework and to a term sheet that tells you what the framework and terms of agreement will be, now the document has to be prepared. We'll just have to see what happens from here.

B. Simpson: I understand that there will be some sensitivities around the actual negotiation process. but I would hope — given that this is something that impacts all British Columbians, not just the shareholders of the major corporations — we can still have a substantive discussion about what the implications of this

are and why we ended up with the deal that we did in the time frame that we did.

One of the questions that's out there around this whole deal is: why the rush? We were told that it was supposed to be so that the Americans wouldn't file their appeal, and they have filed their appeal anyway. Last week as I talked to folks in the industry, they felt that they were under significant pressure to sign on to this particular deal and that if there was goodwill, as the minister put it, maybe a little bit of breathing space — even carrying it into this week — would have been helpful for people to really understand the implications of this deal.

It's a seven-year deal. That's a long time. As I talked to some of the folks, you know, their comments to me were that even in business practice, to be put under this kind of pressure to lock yourself into something for seven years — where there are all kinds of questions around how you operationalize this — was a bit of a push.

Given that the Americans actually filed the appeal, wasn't that a false deadline, and couldn't we have a bought a little bit more breathing space to have people take a little closer look at this? To the minister: why the rush?

Hon. R. Coleman: I got all kinds of comments on this. "Get the deal done. Do something. Wait longer. Maybe we shouldn't continue to litigate forever." I think the variety of opinions out there within the communities is quite dramatic.

This has been going on since 2001. The time frame, this time.... Basically, it appeared — and this is obviously the federal government and the ambassador, not us — that the USTR, the U.S. Trade Representative, wanted to have a discussion. Things became pretty lively, and we got to the framework.

[1015]

The deadline the member is talking about is the extraordinary challenge. As I said yesterday in the House before estimates, when the member from Vancouver — I can't remember which riding — asked me about this, I said that my understanding was that the ECC was filed because there hadn't been approval from all the cabinets and caucuses across Canada prior to five o'clock Eastern Time. In order to protect their legal position, they had to file.

They also indicated at the press conference that they would be vacating that ECC as the agreement got to final agreement. I think that clearly, the goodwill on that particular side of it is there. You know, the dynamics of negotiations on something this large can be second-guessed by everybody, but I think that Michael Wilson, our Ambassador to the United States; the Prime Minister; and the federal trade minister, David Emerson, were working very hard with the rest of Canada to get to where there might be a framework. The framework is there.

[S. Hammell in the chair.]

As the member says, the details, with regards to how it would be implemented and those sorts of

things, will be worked out over the next 60 to 90 days, because that will have to be in the final document.

B. Simpson: But again, the very fact that the Americans could vacate the appeal.... They could have done that anytime, so it seems to me there was a false deadline there that pushed. I know that as of Friday morning, even after the Premier had said that this is a good deal for British Columbia, there were conference calls and industry going: "Hang on a second here. Do we fundamentally understand the terms of this deal? Do we fundamentally understand enough to say whether it's a good deal or not?"

Hence, as of April 27, that Friday, you get conditional support from the Lumber Trade Council that says: "Well, really, we don't know if this is a good deal or not until we look at some of the substantive parts of the agreement." Consequently, we've got a situation where we have a self-imposed deadline. There was a false deadline. We could have had more time, and quite frankly, it leaves one to assume that this was more of a political deadline.

Let me ask this question. Did Prime Minister Harper indicate to the Premiers and to industry that it was these terms or that the federal government would withdraw itself from further negotiations over softwood lumber?

Hon. B. Penner: I seek leave to make an introduction.

Leave granted.

Introductions by Members

Hon. B. Penner: There are 26 band students from White Pines Collegiate and Vocational School visiting Victoria from Sault Ste. Marie, Ontario. They are on an exchange visit, having hosted students from Victoria's Reynolds Secondary School about a month ago. They're accompanied by three chaperones plus their band conductor, Mr. Ken Piirtoniemi. Would the House please make them welcome.

Debate Continued

Hon. R. Coleman: I'm not in a position to comment on what the Prime Minister may have said to anybody.

B. Simpson: That's an interesting answer. My understanding is that the minister was very involved last week in the conversations that were going around and conference calls and calls to individual companies and, according to his own admission, was involved in what was going on in Washington. The minister is saying, in all of that, that he hears about the Prime Minister saying that if these were not the terms of the deal, the federal government was withdrawing its support for future softwood negotiations and the provinces would be on their own and industry would be on their own. He may not have been directly aware, but was that the

buzz in last week's discussions as the minister worked the phones?

Hon. R. Coleman: I don't comment on buzz, hearsay or what somebody might have said to something during the heat of any discussion that may have taken place. That would just be totally inappropriate for me to do so.

B. Simpson: All right. Let's try another tack, then. What was the exact content — explicit concerns — that the Premier put in his letter to the Prime Minister? As far as we know, the minister is aware of that.

He doesn't want to release the letter — fair enough. But was there more to the letter than just the fact that the Americans had lodged their appeal?

[1020]

Hon. R. Coleman: The member knows I'm not in a position to release a letter that I didn't write — number one. No, there was nothing more than a concern about the ECC.

B. Simpson: The report that the Premier indicated when he was interviewed in Alberta.... The letter indicated a series of concerns and questions around specific aspects of the deal which concurs, really, with what the Lumber Trade Council's press release said — that they need to be finalized consistent with their understandings, that the Premier did not include in the letter some clarification of understandings of the terms of this deal.

Hon. R. Coleman: What I have expressed is that my knowledge of anything that was written in writing is all the knowledge I have that anything was written by the Premier to anybody. So we can speculate about other documentation or letters that may or may not have gone. I guess that's where he's going, but I'm not going to speculate on that because I have no knowledge whatsoever of that. Therefore, I won't comment on it.

B. Simpson: Let me be clear. The minister.... As far as he understands, one letter went out to the Prime Minister on Thursday — not Friday, but Thursday. That letter explicitly only stated concerns about the U.S. filing its appeal. Is that correct?

Hon. R. Coleman: I've already answered that question. It was correct, and that's my knowledge.

B. Simpson: Is the minister aware of any correspondence from the Premier or anyone else around the concerns that the B.C. industry had about the anti-circumvention clause?

Hon. R. Coleman: No, I'm not.

B. Simpson: Is the minister aware of concerns that the lumber industry had on Friday about the anti-

circumvention clause? And if so, what is his awareness of those concerns, and what did it pertain to?

Hon. R. Coleman: I am aware of that concern. We will work through that in the next 60 to 90 days when the people can actually sit down and analyze expertly the documentation and the details that have to put, basically, for lack of a better description, the document to the framework agreement. There are always concerns expressed by people as you come through this, before and after. You go through to get to what is a framework. But in the next 60 or 90 days, I'm confident that anything like that will be dealt with.

B. Simpson: One of the things that concern me about how we were pushed into this deal is that I know that the Council of Forest Industries had a very comprehensive position for the softwood settlement, which was in many respects superior to the terms that we have in front of us here.

John Allan, head of COFI, has publicly stated that there wasn't a need for British Columbia to rush. We have 50 percent of the market share of Canadian imports into the U.S. We also were in a position where we didn't have a quota. We were operating without a market constraint. We were operating without a quota. We were operating with a 10.8-percent levy and duty. That may very well come down in the short term to 2 percent or 3 percent or be nullified.

[1025]

The operating conditions for the industry were actually superior to what we're now going to lock ourselves into. As the minister indicated yesterday, according to even his own assessment, we will work around 50 percent of our operating time in tax on this deal, whereas conceivably, if we continued on the path of litigation, we could have been operating for a significant period of time with a 2- to 3-percent duty or less and no quota and no volume count.

The other aspect that is well known in the industry is that International Paper is softening. International Paper wants out of the solid-wood business. They've sold a number of their woodlands operations. They have their solid-wood operations up for sale. Canfor and West Fraser have both been sniffing around to buy those. Again, from personal experience, having worked for International Paper, I know that they are the most significant underwriter and the most significant organizer for the softwood lumber lobby in the United States, the so-called fair trade lobby down there.

We used to get e-mails all the time that said that if we just resend, we would have an e-mail go out to our Congressmen and our Senator on our position on softwood. With International Paper coming out of solid wood, then the potential is a significant weakening of the fair trade coalition down in the United States. At the same time we have a situation in which our consumers down south have said categorically: "Do not sign this deal."

The consumer lobby is growing in the United States as people understand the implications for their con-

struction industry and for their housing prices of continuing to put a levy against Canadian softwood. In a shrinking housing market, that becomes more of a consideration for them to continue to have that housing market propped up by some price points.

The context for this — for British Columbia to rush into — baffles me. The reality is that we were in a context where we had a better operating environment than we're going to put ourselves in. We were not constrained on what volume we had in the market, and potentially, litigation would not only be in our favour, but the fair trade group down south would be weakened.

From B.C.'s perspective, let alone what the federal perspective was, why did British Columbia feel the need to adhere to the time line that was given to us by the Prime Minister? Why didn't we simply say: "No, we don't need to. The Americans can simply vacate their appeal once we clear up the litigation issue. We want to do this in a timely fashion, and we want to take a look more at what the Council of Forest Industries was putting forward as the B.C. position for this"?

Why did British Columbia choose to meet what was effectively a false deadline for pushing this deal through to completion?

Hon. R. Coleman: The member makes a whole bunch of assumptions and decides he is the one who knows how to negotiate and when. I'm not going to buy into that. The B.C. Lumber Trade Council did have a position that they wanted to take to the table, and it was taken to the table. At the same time, so did the lumber lobby in the United States. Just because you think you've drawn up a deal that's good for only you, if the other negotiating partner doesn't want to do it, then you don't get the deal. You can do that all day long.

I know the member thinks that duties could go down as easily as they can go up. We saw no weakening in the coalition or the U.S. Trade Representative's positions with regards to things on softwood. I guess what it comes down to is....

You know, the member wants to say that the Prime Minister had an artificial deadline and all this stuff. I guess that he has talked to the Prime Minister about that, because he certainly never gave me an artificial deadline, because I never spoke to him. I mean, great assumptions on behalf of the member, but the reality is this: if we did what the member described, there are a number of companies, even in the member's riding, that wouldn't be in business a year from now.

[1030]

They're in receivership, and they're pushed up against a border with the deposits they already have and in significant financial debt stress. Should one or two large companies in B.C. dictate what the solution is on softwood, or should you have the entire industry affected by this deal be part of the discussion — which they were?

Frankly, I find it frustrating that any member who's ever been in and around the forest sector — and the

member says he has — thinks that you shouldn't try and get to a deal after the number of years this stuff has gone on and off within British Columbia and with the U.S., with different duties, quotas and dynamics for a long, long time. I think that Canada saw the opportunity to get some long-term stability. I think that actually, a lot of the people who today are saying, "Well, we're kind of there," said at the time: "You know what? We think you should do this." They thought that the deal should be done.

Certainly, there's going to be a whole bunch of arm-chair quarterbacks that are going to try and second-guess what could or could not have been. The reality is that we had an ambassador negotiating with the U.S. Trade Representative. We had people from all the provinces across Canada, as I understand it, who were supposedly the people that know what is the possibility of a deal that might work in the jurisdictions involved, and we had feedback from companies and ministers across the country with regards to their jurisdictions all taking place.

This is a big thing. This is a country that's the size of ours negotiating with the United States of America. It's not something where somebody can say one little thing is what it's going to be and: "Oh, that's okay, because that's what we think." The reality is that you start out in an opening position in negotiation, and so do other people. At the end of the day, you decide, after negotiation and discussion, whether you've moved each side far enough to where you think you'll both be prepared to make a deal. My understanding is that that's the case here.

We have a term sheet. We have an agreement-in-principle. We're going to go forward and write the document. No doubt, over the next 60 or 90 days there will be, as I said yesterday, somebody in the industry or somewhere else in Canada or maybe in the United States who will say: "I think the clause that says such and such could be problematic." That's why we hired the people to write the final document.

It's certainly not going to be written in this House. It's certainly not going to be written in the parliament. It'll be written by people who can actually write an international trade agreement. Frankly, we'll have a team of people from British Columbia participating in that process so that any concerns of British Columbia, as we come through that process, will be identified and dealt with in the agreement.

B. Simpson: This deal is based on assumptions. This deal is based on assumptions of market conditions. It's based on assumptions of the implications for operational implications of the term sheet. It's all based on assumptions. It's the only way you can do it. Unless the minister has got a crystal ball and he knows exactly what's going to happen in this industry over the next seven years, then this thing is based on assumptions as well. The assumptions I put forward are just as valid and based on research and on the reality of the current situation. All I'm saying is: were these assumptions also considered by the industry?

The minister talks about the fact that the U.S. had a position as well. That's not our responsibility to adhere to the U.S. position. The minister in Kelowna, at the Council of Forest Industries, went and said: "We're the big dog." The Council of Forest Industries also indicated that B.C. has the lead in negotiations and that they have the assent of Ontario, Quebec and Alberta for the lead in negotiations, and the Council of Forest Industries' position is very different than what we ended up with just now. So whether or not people get cash because they're cash-strapped is only one aspect of this deal.

In fact, in today's *Financial Post*, the comment is made very clearly, along with the minister's suggestion here about the fact.... It says, "...visions of special dividends dance in investors' heads," looking at the cash coming back. The reality is "we urge" — according to the *Financial Post* — "investors to use caution, as the future effects of an agreement will likely outweigh any one-time duty refunds." Our obligation is to the longer term, not the cash back.

[1035]

In fact, this government had the opportunity to do what Ontario and Quebec have done and assist those companies that are struggling with cash, with loan guarantees against their deposits; they chose not to. So there were options available to buy us time to make sure that we got a term sheet that actually worked for British Columbia — instead of getting a conditional response from the B.C. lumber council, which is supposed to be the council, the industry is saying, that wants to negotiate the industry's terms. I know that Canfor is not part of it, and others aren't part of it. It's one of the voices.

This deal for seven years puts us in a market cap position. I know that in it, it has a third-country clause, and I want to look at that. But it puts us in a market cap position, when we know from recent reports that we have China coming on, not as a customer but as a competitor to us in our own marketplace — not just in dimension lumber but in value-added. It puts a border tax on us, and we know that the U.S. housing market is going to start softening. What will that do to prices? It will bring prices down. The minister has already admitted we'll be seeing at least 50 percent of the time operating in a tax-positive situation.

We also know that those same companies that want this bit of cash to try and deal with operational issues are the least cost-effective when they get into the lower end of the price market. When we're in the lower end of the price market, we've added a 15-percent border tax to them in this deal. So how does that help them from an operational perspective when the U.S. housing market's going to soften? Prices are going to go down, and the same companies that are cash-strapped just now and haven't had the ability to put capital in are going to be faced with an additional 15-percent border tax.

This deal left a billion dollars on the table down in the U.S. In the term sheet it says, "The parties acknowledge that this distribution of deposits does not

constitute a precedent for distribution of duties to any entity other than importers of record" — with respect to the \$100 billion — but there's no clause in here that says there's no precedent that if you illegally hold duties, you're going to get a 20-percent take on those duties.

There are terms that are missing from this deal as well. For the minister to suggest that this.... I'm trying to suggest that, you know, there could have been a better deal. Yes, there could have been a better deal. What I'm getting at is: why didn't we buy another week or two so that we that could get the Lumber Trade Council to give us more support in terms of what this deal ended up being in the term sheet? Why couldn't we drive our agenda more along the lines of what Council of Forest Industries put forward? Why the rush?

From the minister's perspective, why did we have to finish this deal on Thursday? Why couldn't we have bought a couple more weeks of time to make sure that everybody understood it? Again, I'm asking this time, directly from the minister's perspective.

Hon. R. Coleman: I guess the member has the right to second-guess everything, but I actually believe that the deal was available now. The stars had aligned, I guess, so that parties were interested in negotiating. The B.C. Lumber Trade Council members, for the most part, supported this deal — although the B.C. Lumber Trade Council as a group may have had a couple of people that were a bit concerned or ambivalent and, therefore, didn't come out with what the member would think is the major statement. I was glad he corrected the fact that they didn't. That one group wasn't those people that should actually.... He started to say they're representing British Columbia. They're not. They're representative of about seven or eight large companies in British Columbia.

I do take exception to the member's saying that the people who would get deposits back that have financial pressures today are inefficient operators — that comment that he made there. Frankly, in many cases it's because of what's happening to those smaller companies at the border. If you're selling siding or cedar at \$1,000 a day, you get countervailed and dutied at the \$1,000 price. That takes a whole bunch off the bottom line for those guys, because they get hit way harder than the guy that's at first mill price on dimension lumber.

[1040]

This deal actually allows for a first mill price and a high-value cap. Those things are critical to the value-added sector, who has told me that over the last number of times. I guess you can always say.... I realize the member said that I may have a crystal ball. I don't; neither does he. The reality is that we don't know what would have happened going into the midterm elections in the United States. We don't know what would happen if we didn't take the opportunity to negotiate now. Would we be waiting for a new President to be sworn into office in 2009? Would there be a different USTR

representative? Would we be starting all over from scratch four or five years from now with regards to the opportunity?

It was very apparent — from everybody on both sides of the border — that the two parties were about to be prepared to negotiate. Negotiation means that there is give-and-take on both sides of a deal. That give-and-take took place.

I said when this was done that I anticipate that over the next 60 to 90 days there would be clauses and issues that would have to be discussed between the parties to finalize the agreement. That's the way it is.

Frankly, hon. member, I happen to believe that we in British Columbia should be celebrating the fact that we've managed to get a solution to softwood for the next number of years. I happen to believe that the stress and pain and the amount of legal fees and costs that have been put on companies from British Columbia over the last number of years are very hard on a lot of people.

I also happen to believe that sometimes you make a deal. In this particular case, just for the member's information, the industry has been telling me that they never expected to get 100 percent of the deposits back. In actual fact, last fall somebody tried to actually get them to do a deal at less than 75 percent of the deposits, and it wasn't as big an issue.

I realize there are things that every one of us can question around this. But everybody had their opportunity for input, and they did tell me to go ahead. A number of people — even members of the B.C. Lumber Trade Council, CEOs of those companies — told me personally: "We think you've got to make the decision to go forward and see if this thing can be done."

I realize you're going to have different groups of different people. A lot of times, within organizations like the Council of Forest Industries or the B.C. Lumber Trade Council, you actually don't have unanimity agreement on a whole bunch of things among those groups. You're not going to get unanimity agreement on something like this either, because they all have different interests.

I mean, it's very interesting to watch a group of companies sit in a room and have a discussion about what the market should look like, when they are all competitors. They will contact you afterwards and before meetings, as the member is probably aware, and say: "Actually, what we really think is this." So you're never going to get the unanimity at a table to say that this is perfect.

That's, I guess, the way it is because it's a huge industry. We have small companies and large. We have remaners; we have people who are in specialty products. We have huge dimension mills in the interior of British Columbia, and we have issues on the coast. I spent a lot of time trying to get a feel for those companies and those industries as we came through these discussions, which is, frankly, a pretty fair process.

At the end of the day, though, the best information available — and what people think may or may not be the best deal available — has to be presented to the

decision-makers to decide whether they want to go ahead with the framework. The decision was made to go ahead with the framework. From here, over the next number of months — no question — there is going to be a very comprehensive document prepared with an awful lot of background work completed. We will have our people at the table working for that in B.C.'s interests as we go through that.

That's the way it should be. Frankly, we have the commitment that we can be part of that. We are, simply because Canada is made up of the provinces. I know that we can have a debate about this particular framework till noon today and all through the afternoon, if necessary. The fact of the matter is that the cabinet of British Columbia has said to the Prime Minister: "We agree with this framework. Move forward."

The provinces across the country have said the same thing. The Prime Minister of this country has told the President of the United States and the ambassador that we'd like to move ahead, so we're moving ahead. We're going to have a document prepared over the next number of months. As I say, there will be some to and fro as that document comes through. I think the goodwill is there to get this deal done. I think it's there because we happen to be very fortunate to have enough people in the right places at the right time to get there.

[1045]

There have been lots of negotiations on this thing over the years, even last fall. Even last fall when we had a different person in the ambassador's office, we were being asked to look at a deal where there was a 15-percent tax in British Columbia's interior and nothing in the rest of Canada. We said no, and it never happened, because frankly, that was a disproportionate agreement.

This one here, though, on balance, with industry and with people across British Columbia, has a position taken that we should move forward. That's what we're going to do. We will go through a document over the next number of months, which I'm not going to draft, and we will go through that process over the next number of months. We will look at some of the details that the member is actually talking about.

Frankly, what I would like from the member is this. If you have something which you'd like me to tell our people when they go to the table, if you have an idea that you think should be in the agreement that's within the framework, by all means.... You know what? We're moving forward to try and get an agreement with the U.S. for the long-term stability of our industry. That's good news for British Columbia, because I can tell you that it hasn't been great with the uncertainty of the countervail and the duties and where they could go at any particular period of time over the last number of years. There have been hundreds of millions of dollars in legal fees spent to litigate in court to find out that you win litigation and move forward and do it again.

We could go through this whole process for two more years in litigation. We could win. What could happen is we could be in Lumber 5 within the year

after that, because that seems to be the pattern of this file. At some point in time people have to take the leadership and make a decision to move forward and try and do a deal. That leadership stepped forward and said they wanted to try and do a deal, and I support that decision.

B. Simpson: The minister has been involved in politics long enough — and has been in opposition — to know that the opposition's role is to second-guess everything. That's my job. As a consequence, the minister has to put up with second-guessing. That's what the people of British Columbia expect me to do in the role as the opposition critic for this particular file.

The critical thing that I want to do, though.... Again, we need to be very clear on language. When I talk about efficiencies, that's not a moral judgment. Efficiencies in mill operations are a calculated rate, so when I talk about the smaller operators trying to gain efficiencies, I'm talking about the capital investment, how they operate their mills, everything else. It's not a moral judgment.

In the smaller operations, they don't have the efficiencies of scale that the larger operators do and, therefore, will be incrementally impacted as prices come down, because their efficiencies — again, not moral efficiencies; operational efficiencies — are not as good as the West Frasers or the Canfors or some of the big ones. That's why they get bigger. Potentially, as the market softens, as prices soften, the very mills that the minister has indicated he was wanting to get cash back to, as I stated before, will be the ones that will be detrimentally impacted by that 15-percent border tax when we get to that rate. That's not a moral judgment; that's just the facts.

The question of unanimity. All I'm trying to get at is that we had a false deadline we operated to. Maybe if — and again, it's the feedback I'm getting — people had the weekend to sleep on this thing, if they had a few days this week to look at it, we could have gotten more unanimity, if people understood it, and we could have gotten more of B.C.'s concerns into the term sheet. It's a judgment call. I agree with the minister on that.

Unfortunately, in this case I think we've rushed this. I will go on the record: I will be surprised if this deal goes through. If it does, I believe that over the course of the seven years, we will regret it. Because of the nature of the changes in this business and the global nature of our competition, I believe that we are going to be handcuffing ourselves in the marketplace.

Let's deal with a couple of the components. My understanding in terms of the implementation of this deal is that the measures for quota and for the tax rate are going to be done quarterly. Is that the minister's understanding?

[1050]

Hon. R. Coleman: It was one of the models, but all the running rules will be developed as we go through to the final agreement.

B. Simpson: The minister asked for input and ideas. I would suggest that one idea is that a quarterly assessment in British Columbia will be problematic to us, and all you have to do is look at the railcar issue in the interior. In the last report out from West Fraser, they indicated — this is from Hank Ketcham — that if more trains had been available, the company could have shipped its full production at least, and maybe some of its excess inventory, in the first quarter of this year.

That's going to be a significant issue if this deal is assessed on a quarterly basis. For the British Columbia interior especially, quarterly assessments of this, I think, are going to be problematic and will cause some of these mills to struggle.

The second thing that I've got a question about in terms of operations of this is: if we go to a regional quota system, how will the smaller players, particularly independents, be protected? My understanding is that if we go to a regional system, the region gets the quota. If we go to 110 percent plus 1, then the region gets the penalty. That penalty accrues on a volume basis to all of the players in there. We have now, in the corporate concentration that's gone on over the last few years, areas where we have very, very big players who, with a very simple bump up in volume, could put the whole region into a surplus situation, and penalty accrues to everyone.

That's my understanding of the deal that we're signing on to. What's the understanding of any discussions that have been had about how independents would be protected from that?

Hon. R. Coleman: The running rules will be developed as we go to final agreement.

B. Simpson: Well, I hope, as the running rules are developed, that British Columbia's position on this will be crystal-clear, that the operational considerations in British Columbia will be taken into account and that the voices heard there will be all of the voices in British Columbia and not a few of the major corporations. We want to grow that smaller, independent side of the business, and if we're not careful with the regional quota allocation and penalty, then in that case we will do everything but.

The surge protection mechanism — what will be the impact of that? I know that came down, I believe, from 200 percent to 150 percent of the normal export charge, which was a concession to British Columbia, as I understand. What is the thinking just now about how that's going to impact us with respect to mountain pine beetle salvage and that volume coming into the marketplace?

Hon. R. Coleman: I'm glad the member recognizes that it was a concession to British Columbia. There were a whole bunch of concessions to British Columbia in this discussion, and that was just one of them. Again, the companies will adjust to the marketplace and ship when they think they can do so efficiently

under this deal. They felt very strongly about some of the numbers that they could work within in this thing, and we'll keep working through the details as we move forward, as I said, on the final agreement.

Frankly, the surge protection — the member is correct — was being pushed very hard by the U.S. coalition at 200 percent. We refused to budge. The number we had gotten, even from most of the people at the B.C. Lumber Trade Council, was 1.5. We didn't move off that 1.5, felt it would be a deal-breaker and therefore stood our ground and got it in that particular area.

But I mean, that was Canada saying that. You know, we are working with a federal government and a federal trade minister and cooperating with ministers across the country.

[1055]

It was probably one of the best examples of inter-provincial cooperation that you probably saw across this country in a long, long time, to try and get to where there was common ground and to be able to negotiate with the U.S. There's 110 percent of marketplace. We know what the capacity is in the interior today. They felt, and we felt, that there was enough flush there to be able to handle what the member describes, and we will, obviously.... You know, the member is on the record as saying he doesn't think that it's a good deal; it's a bad deal. Well, that's great.

I'm on the record as saying that I thought it was the time to make the right decision and to take the leadership in this country to make a softwood lumber deal, because I think there is a whole lot of other.... We can get to a deal that makes sense for British Columbia and for the companies in B.C. and across Canada, which we did, in my opinion.

At the same time, I think we opened up the door to a whole bunch of other opportunities and trade relations, not just with the United States, but across our great country. We will see a new level of cooperation, as a result of the fact that we can all finally point to the fact that two countries can actually get to a deal.

I think a lot of the to and fro and some of the feelings both north and south of the border are going to be affected by this in a good way, frankly. I think that the big picture here is that the companies advised me — as I went through this, and we were coming down to the 19th hour — that they wanted us to do it. They supported it, and there were only one or two, basically, saying no. One or two said that they'd give qualified support, and the rest of them said: "Do it." Frankly, I would assume that they actually know what their business is about, so if they're saying that they support the deal and to go ahead and do it.... There are always going to be those that have concerns when you have as many companies as we do in B.C. and as many stakeholders and as many trade organizations as there are.

It comes down to.... At one point in time you look at what's in front of you, you look at what, I guess, is best qualified as the best and final offer by both sides, and you decide whether you want to make the deal.

The decision was made to move forward. We, obviously, told the federal government that we wanted to be part of the document that would be prepared and finalized, because there would be issues that we would see as we came through the drafting, clause by clause. They are fine with that. They've agreed with that. Frankly, I think that other provinces have probably said the same thing — that they want to have somebody at the table to make sure that, as they draft the legal document clause by clause, issues are addressed.

As you do something like this, it gets pretty complicated, as the member knows. Whether it's how we calculate the surge or what period of time we have, whether we have to set up a different database — all of those things will be dealt with as we move forward in the next 60 to 90 days. At the end of the day, I'm proud of the fact that we were able to get there.

Whether you want to think there was an artificial deadline or not, there certainly was a deadline in the minds of the companies in British Columbia that told me to get on with it. They were very clear to us in British Columbia. Sure, there's going to be angst, but there always is angst. It's also no different from the guy who buys a house and wonders: if he had made another counter-offer, would he have gotten it for \$2,000 or \$3,000 less, or did he get a good deal?

[H. Bloy in the chair.]

Well, the offers remained; the discussions took place; the parties were consulted. We made a decision, and Canada is going to get the document drafted. We'll have input, and we'll work through the details, and at the end of the day our industry and our province will be the better for it.

B. Simpson: Again, let me set the record straight. I didn't say this is a good deal or a bad deal. A deal's a deal. It has good and bad aspects to it. I'm simply saying that I don't believe we needed to be forced or rushed into a deal. I don't believe now is the timing for a deal. It wasn't necessary that we had to rush into it. I'm saying that it's not good or bad; I'm saying we're going to regret this.

Based on my reading of what's going to happen in the dimension lumber business, we have put handcuffs on ourselves. One of those handcuffs that I'm particularly interested in, in the term sheet, is that the third-country trigger is linked to the surge mechanism. So what I don't understand is that the surge mechanism, in many ways, is aimed at British Columbia, and that's how I think it's best to read it.

[1100]

What you've got is a situation in here where there's a sort of quasi-recognition that the rest of the market's going to grow and that the American's aren't paying attention to that. As we all know, it's going to happen. However, that third-party mechanism is not applied to any region that has a surge mechanism. Why was it linked to the surge mechanism, and isn't that detrimental to British Columbia?

Hon. R. Coleman: That was actually agreed to by all parties as we came through this, and the reason for that is this: for the first time, the U.S. has actually recognized that there's a third-party impact on their marketplace, which is good for Canada and good for them. If, in any two successive quarters, the Canadian market share drops and the third country in the U.S. share goes up and takes that marketplace, there's a mechanism to give a break on the tax.

The last part of that, though, does talk about.... If an area has actually surged, they're not eligible, because the discussion on both sides of the border would be: if you're in surge and the market share is being picked up by somebody else when you're in surge, you're actually part of the surge problem. It was very important to both sides that in that particular case, there would be a balance. But if everybody was in the operational side of their business and a market share was being eroded, there's actually a recognition of that and a discount on the tax.

The complexities of that calculation — there were a number of discussions in and around that — will be worked out over the next couple of months. But it was thought that if a jurisdiction was surging and actually filling the marketplace, it was still part of the problem and not part of the solution. That's why that was put into that language, as I understand it. How it will be applied — again, we'll work through that with our companies and our jurisdiction as we go forward.

It was very good that we actually got a recognition of the third-country trigger, because there are concerns. You mentioned them yourself. China is a big softwood producer now. They are the second-largest softwood producer in the world, evidently, and therefore are going to be trying to get into a marketplace. Therefore, we need to have some recognition of that, going forward in the deal. That's what this allows us to do.

B. Simpson: That'll be one of the terms that I think is going to be interesting to watch and, again, one that.... While there's a recognition of the third country, I don't think it addresses what the reality will be in the marketplace. It's clear that there are negotiations that need to be done here.

Let me ask two hopefully quick questions. First off, who represented British Columbia in negotiating the term sheet?

Hon. R. Coleman: A lot of people. B.C. Lumber Trade Council had input. I was definitely involved, as was our legal counsel in Washington and some of our consultants. Forests Ministry staff were involved. I was reporting in, obviously, to my colleagues in British Columbia working through this thing. In addition to that, there were also people from Alberta, Ontario and Quebec in Washington representing their interests through their legal counsel. There were, obviously, people out of David Emerson's office and David Emerson, who was daily and hourly involved in the discussions as the minister responsible for trade federally.

Ultimately, we should always remember that this is actually a federal trade file. There were a lot of people involved.

[1105]

B. Simpson: The Premier, in one interview, indicated that Ken Dobell was British Columbia's representative in Washington on this deal. Is that correct?

Hon. R. Coleman: It is true that Ken was part of the team in Washington, as were some senior staff from my ministry who were there on a technical side. As well, we have legal counsel in Washington that represents our interests.

B. Simpson: What will be the way that British Columbia is represented, then, in the discussions and negotiations to go from the term sheet to an actual deal? How will B.C.'s interests be brought into that?

Hon. R. Coleman: We will put another team together — probably a combination of people that are experts on the technical side as well as the legal side. That team hasn't been determined yet because the start of that hasn't. But we have communicated that we will be prepared to put a team together and put it into place. Over the next week or two I would think that we would identify who those folks would be, and then we would advise the federal government so that when they went to start to do the drafting, our people would be there.

B. Simpson: Did the United States actually withdraw their appeal already, or is that appeal still in place?

Hon. R. Coleman: I'm advised that we've heard from the Department of Foreign Affairs that the ECC has been suspended.

B. Simpson: How much did the trade dispute, the legal aspects of it, cost the British Columbia government?

Hon. R. Coleman: I know that on the government side we've been averaging about \$3 million a year. On the B.C. Lumber Trade Council side, I know that there've been additional funds invested there. Each jurisdiction across the country has spent money, including the federal government, who has probably spent the lion's share over that period of time. We can get the member the detail of the total numbers. Certainly, we don't have them here today, but it's been averaging around \$3 million a year.

B. Simpson: Those would be figures that I would appreciate having. One of the things out there, of course, is the estimate that it's cost us about \$200 million in Canada to this point to leave \$1 billion on the table down south.

In that billion-dollar discussion \$500 million is going to our competitors down there; \$500 million is go-

ing to something else. Was there any discussion about the possibility that something else could be coming back into Canada for non-tariffable activities — community economic development, diversification, forest health? Was there any argument put forward, to the minister's knowledge, that that money could come back here in a way that it didn't directly support the industry but went into things that we need done in our provinces and our communities and for our workers?

Hon. R. Coleman: I can tell the member that all kinds of ideas were floated around that as we came through this discussion. It came down to, frankly, that on both sides of the border.... Even our own producers felt there had to be something clean and clear. The U.S. government will make the decisions on the use of that money. They will do that in consultation with Canada, but they will have the decision on it. As we moved forward, we did talk about joint initiatives for North American lumber marketing. We will be discussing those types of things with them as we go through this.

[1110]

I get the comment about the \$1 billion. You know, at the end of the day our folks felt that that was the least contentious part of this discussion. When it was determined that we could get 100 percent of the interest and 80 percent of the money that was actually, I think.... It was clear when that came to the table that it was above people's expectations, and there certainly wasn't a whole bunch of push-back or argument about that.

B. Simpson: I take the minister's point about the least contentious for the industry.

In terms of the blowback that I'm getting from community members — and I was at a community dinner in Quesnel on Saturday night — that's what is sticking in some people's throats. It's illegally collected money. It's kept illegally down in the United States. What precedent is that setting?

With respect to getting the remainder of the money back, what I'm reading in the analysis of that is about 55 cents on the dollar when you take in the exchange rate. Is that the sense that the minister has?

Hon. R. Coleman: I'm glad the member has got math. We don't have a firm handle on the total of the deposits yet. That's being worked through. It's fine if you want to go out and say that to the public of British Columbia. That's up to you. I think it would be misleading, but that's fine.

The fact of the matter is that we don't have control over the exchange rate. The dollar has gone up over the life of some of these deposits going into the U.S. There is obviously, as the member knows, some.... It's clear what happened there. People are concerned about that.

You know, member, when you make a deal, I can tell you that right now down in the United States, there's a number of pieces of this thing that stick in the craw of the U.S. coalition of the communities that they

represent. There are things that stick in the craw a little bit up here.

The question is: did you have the guts or the temerity, or did you have enough knowledge in front of you to take the leadership to get to where you would get to a term sheet, get to a final agreement and trade deal with the United States?

As you go through that, on both sides there are going to be some things that sides don't like to give up. I guess that's part of the negotiation. Frankly, that's in many cases part of life. It's part of relationships. It's part about the give-and-take of human nature, the give-and-take of making a business deal.

In this particular case, the member has said that he thinks it's a bad deal because.... No, he didn't say it was a bad deal, but he said this isn't going to work over the next seven years. I don't know that it will or not, but I think it's close. I think it's got enough stability in it that we're going to find that people are going to be okay with this deal. I think we'll find that the B.C. industry will do what the B.C. industry has always done, and that is adapt.

The one thing this industry knows, though, is what a stable market operation will be for the next seven years as we go through and do the final document. I think that's a good thing.

B. Simpson: A couple of things. First off, you know, I'm not the one putting the 55 cents on the dollar out there. I'm not that smart. I can't sit down and figure that out. That's what the financial analysts have stated publicly that we're getting back. That's not me being irresponsible. I talked to the financial analysts that have put that out for the market to look at.

In terms of stable market, I have to really roll my eyes when I hear people talk about stability and certainty in the marketplace. How the heck do you get that? In a free enterprise system, in a market that's changing as dramatically and rapidly as the softwood market, how does a deal that locks us in give us certainty and stability? It doesn't.

What it does is give the Americans certainty and stability over us, and what it does is give the rest of the market certainty and stability over us. All it does is put handcuffs on us in a market that's anything but certain and stable.

As far as the American lumber lobby is concerned.... What sticks in their craw? Frankly, I don't care. They've done things that are illegal. They've done things that have broken their own laws, let alone international laws, and we've allowed them to steal a billion dollars from us. Why should I care if they have some stuff in this deal that sticks in their craw? More in this deal should stick in their craw, as far as I'm concerned.

With respect to the money coming back, when can we expect that money back?

[1115]

Hon. R. Coleman: My understanding is that it will come back when the final agreement is drafted and signed by the two countries.

B. Simpson: Are duties still being collected during that time frame?

Hon. R. Coleman: Yes, they are.

B. Simpson: So we've still got duties being collected during that time frame. We're not quite sure when we're going to get the money back, and when we get it back, it's going to be 55 cents on the dollar. That's a great deal.

What is the form of that payback? Historically, in another payback, it went railcar by railcar. Was there any guarantee this will be lump sum at this juncture? Do we have a guarantee this will be a lump sum payback to industry?

Hon. R. Coleman: I'm being cautious not to go where I would emotionally like to go with this member, so I'm not going to do that, because I think some of his comments that he just made with regards to this thing were a bit insulting, and that's fine.

We know that there's been a dispute in softwood lumber in North America for a long time, and we know that some people may want to use inflammatory language with regards to using words like "stealing" and what have you. We know that we have the North American Free Trade Agreement. We know that it hasn't worked on softwood. We know that either sooner or later we decide to negotiate with the country south of us to try and get a deal, or we litigate. We could continue to litigate for two more years — that's the estimate — and maybe get six months to a year of nothing happening at the border and be right back into another five or six years of litigation. That has been the historical pattern on this file.

We can sit back and say: "Gee, you know, it's this and da-da-da and all of that." I can get that. I think that somebody had to sooner or later step up to the plate and take the leadership and say: "Can we negotiate with our largest trading partner? Can we put aside the bitterness on both sides of the border? Can we try and settle this thing?" That's what we're trying to do.

Over the next 60 to 90 days the details that the member wants to know are going to be worked out, including how those come back. In the past there's been a calculation by Customs in the U.S. railcar by railcar. We don't know if that can be changed or dealt with, but we do know the money is coming back. We do know that it's coming back to the people that paid it. I think that we'll just work through those details in the next number of months.

Frankly, I have been watching us as a country have a negative relationship with the U.S., particularly British Columbia, for way too long to not get to where we make a deal. I was speaking to a former Premier recently on a flight coming back across the country, and he was the Premier that was in place, an NDP Premier, that made a decision to do something similar to this a number of years ago and felt at that time that somebody had to step up and make the decision. I imagine

that at that time people on the other side of the House criticized that decision, which I think is fine.

I also think, though, that the role of a member of opposition is sometimes to actually see when something is good or where there could be good in something. I never spent my whole five years in opposition just criticizing government. I dealt with former Premier Dan Miller on housing, and it had some very good outcomes. I dealt with some things on the environmental side from a former member, Cathy McGregor, and had some great outcomes. I could work on a professional level back and forth the House, outside and inside the debates, to try and make something work.

I believe that there's a time in any jurisdiction where you decide: is it time that you look at what the history is, see if there's a better way to do it, and try it? That's what we're doing with softwood. We will over the next 60 to 90 days work through the details, and we'll get those details worked through to benefit and be as beneficial and fair to British Columbia as possible, because we're going to be at table with our experts and our people. We're going to do that because the federal government recognizes our role in this particular file. We will do that because it's critical to the future of our forest industry in B.C.

[1120]

I'm not going to go out and say that we made the perfect deal. But I'll tell you what: it's a lot better deal than we had going in. It's a lot better than what was on the table when we presented our position and they presented theirs. A whole bunch of give-and-take took place as we came through to the end of this thing.

I'm fine with the member saying whatever he wants with regards to it. I'm okay with that. But you won't get this minister to say that I don't believe there's enough goodwill on both sides of the border now and across this country to finalize this agreement in a final form that's beneficial and fair to both sides. He won't get this member criticizing the people who actually stepped up to the plate and took the leadership right from the Prime Minister; David Emerson, Minister of International Trade; other ministers across the country; and industry leaders across this country who stepped up to the plate and said: "It's time to make a deal."

The member can talk about all the artificial deadlines he wishes. That artificial deadline is only in his head. There's an opportunity to make a deal. The timing came down. The day was there. The decision had to be made. It was made by the leadership of this country on behalf of industry and communities because we thought at the time that it was the best thing for all parties. We stand by that decision and should be proud that finally, we have something — that there's a framework of an agreement between two countries on a longstanding dispute that's gone on way too long.

B. Simpson: I find it quite humorous that the deadline is in my head, when in question period yesterday the minister said that they were operating to a deadline of 5 p.m. Eastern. I guess I must have imagined that comment.

I didn't ask the minister to criticize anybody. I just asked questions about the roles the various people play. I'm also not asking the minister to criticize his own deal. I'm asking questions about the deal. Again, that's my role.

In terms of a constructive relationship, we've had all kinds of conversations about all kinds of things. In fact, yesterday, around forest stewardship plans — that was a constructive conversation. We happen to be on opposite sides of the fence on this one, so you're not going to get a constructive conversation on this one.

One of the aspects.... We've got 55 cents on the dollar. We've got it, potentially, trickling back, because, historically, that's what it's done. We've got it maybe coming in about 90 days hence. Given all of that and given that most of the analysts — and I think correctly — are saying that, particularly, the major companies in this province that will get the significant portion of the money back will be looking elsewhere to invest than in British Columbia, what leadership role will the province be taking to try and recapture that investment here in British Columbia?

We'll get into the Competition Council report that says we need capital investment. This minister has stated in this House on numerous occasions that we need capital investment in British Columbia. Now there's a role that the government can play in finding unique and creative ways to capture that money here in a significant way — help the Tembecs and the Pope and Talbots and the others and also drive the industry up the value chain.

Has any discussion been had to date about what we can now put in place in way of a program to capture that significant amount of capital in this province to transition our forest industry up the value chain, get more B.C. jobs and maximize what I think is a deal that we would otherwise regret if we don't maximize that capital coming back to this province, our communities and our workers?

Hon. R. Coleman: First of all, the member asked, when we started this debate, why they filed the ECC. I said it was the deadline of a court time — that it had to be filed by that date, on the 27th. That wasn't the time for the deal. It just happened that people knew that was a date, and maybe they were focused a bit more than they had been in the past. But the member wishes to say that....

[1125]

I get this now. What the member just said is that they're not going to get a constructive conversation on this one. So I accept that for the next 35 minutes nothing constructive is going to take place in this discussion.

I don't know whether the member thinks we have the right to tell somebody how to spend their money. Frankly, I think we've put in place the environment for investment in forestry in British Columbia. We will work with our companies to encourage them to continue to invest. But for us to say, and for the member to say, that we should tell them how and where to put the

money they get back and they actually paid, is incredible, really. I will weather the storm for the next little while — maybe all afternoon, for that matter — on what is now going to be "not going to get a constructive conversation on this one."

B. Simpson: I'm not even going to touch that last part.

I'm not telling the minister anything. I'm not suggesting that the minister tell the industry anything. It's not what I said. What I asked was whether the government has thought about how they can engage the industry in creative ways to make sure the money stays here and isn't used for the purchase of international paper or for the purchase of assets outside of this province. I'm not suggesting and have never said in anything I said that the companies be instructed how to use their dollars.

Other provinces have come forward with packages to assist. We've already discussed in this discussion today the fact that we've got a situation where some of the smaller players, particularly, are cash-strapped — to get 55 cents on the dollar for their deposits, which may trickle back on a railcar basis. One would think that we could enter into some agreements with them around capturing that money for investment in British Columbia, in British Columbia mills, and driving our industry up the value chain.

I'm asking if the government is contemplating some kind of package where we enter into creative relationships with our industry to make sure we benefit from that money coming back. I never once stated "direct." My question, again, to the minister is: are any discussions going on in the ministry right now about how we can make sure that \$2.2 billion, or whatever our share is of those deposits, gets invested in British Columbia?

Hon. R. Coleman: We've made many changes to see investment in B.C. The Competition Council was about that — to see how we could encourage investment in British Columbia. As I told the member — I don't know if we talked about it last night, but we've talked about it in the past — we're looking seriously at the Competition Council's recommendations to see how we can further improve the investment climate in British Columbia with regards to forestry. I'm happy to engage with any company that wants to have a discussion about how we can improve that.

Is there a specific plan today, three days after a framework agreement was signed, with regards to having a discussion about the deposits that will come back to companies who paid them in British Columbia? No.

B. Simpson: We've got a framework agreement that's only three days old, but the deposit issue is long-term. There were lots of opportunities for thinking about the implications of the deposits and how they could come back here. Something could have been ready. Some thinking could have been done and the trigger pulled upon the possibility of a deal and the

money coming back. So I don't take the minister's three days as meaning much.

I take that as a no. We don't have any strategy right now. We'll come to the Competition Council report and whether or not that's a valid strategy for attracting capital.

[1130]

What about the border tax? That border tax now, as I understand it, accrues to the provincial government. Is there any discussion at this juncture around the utilization of that border tax as targeted funds for the forest industry in this province — in particular, again, to transform it up the value chain, not the industry as it is?

Hon. R. Coleman: No. If there is a tax collected at the border, it will be like any other tax and revenue to the province. It will go to general revenue. Obviously, if a ministry has plans or if we have a plan we want to bring forward that could be approved through the budget process and Treasury Board, so be it. But to think that we would actually today make a decision about what might affect a fiscal plan in two or three years from now with regards to saying that there's a targeted tax and that we're doing something with it (a) would be fiscally irresponsible and (b) just wouldn't be on in this government.

We look at our revenues. We look at our priorities and service plans. We know that we have issues, as we have an aging population to deal with who are going to be coming through, even from the forest sector, and who will retire in the next number of years. The higher pressures will be on health care, education and those sorts of things.

No, we're just not going to make a decision that we're going to take a border tax and put it into something specific to forestry. We have a half-billion dollar business in forestry already that we're spending money on.

Last night the member was getting to the point where he was musing about the amount of revenue versus the costs to actually run the ministry. I know how it works. The revenue comes into revenue. The ministry builds its budget. If they have priorities, they put those priorities on the table. They have to make a sale, probably to Treasury Board, in order to get the money, and it moves on from there.

No, we're not going to take any tax with regards to this from the border and target it specifically to something. It's going to come to general revenue and will fit within the priorities of government.

B. Simpson: I guess the logic of the minister's answer eludes me, because we're trying to go to the federal government to get support for the forest industry. We're going to them to get support for forest health activities, fire activities. We're hoping for community adjustment — all kinds of things that have been targeted already within the domain of the forest sector that require additional resources. Here we have a direct relationship to that activity and revenue to the Crown,

and we can't be creative enough to figure out how to direct it to all of those things that we're right now saying we don't have sufficient resources to deal with.

I get the point that we've got seniors and health and all those other things, but this is a sector in crisis. It's a sector in trouble. The Competition Council is looking at it from the cost side. We also have to grow it. Within the minister's domain, forest health, fire, the mountain pine beetle impacts with respect to socioeconomic impacts all require revenue, and here's a potential revenue stream for it. So the logic of saying that it goes into general revenue and we just continue to go and put our hands out — when we've been trying to do that for the last little while without a lot of success — eludes me.

I'll take that as a no. The government doesn't have a plan for the border tax. The government doesn't have a plan to recapture those finances when they come back from the duty.

Let's take a look at what the minister has mentioned as the potential for changing our operating environment in this province, the Competition Council's report. The minister mentioned yesterday that he has seen the report and has started to respond. Has anyone engaged the Competition Council directly with respect to the tabling of these two reports? If so, in what form?

Hon. R. Coleman: First of all, we're not getting the money back. The companies that paid it are getting the money back, so the company.... To use it in a.... Let's be clear there. We will engage our industry in the future as we always have engaged our industry — in the future of British Columbia.

[1135]

On the specific question around the Competition Council, I've actually met with them and gone through their report. The deputy minister and other members of my staff are looking at it, and they're engaged with regards to this report. As the member knows, the report isn't particularly old, so that engagement is pretty early on. We will work through issues in the competition report as best we can.

The reality, as the member has already said, is that there are things in this report that he doesn't agree with, or he has concerns, anyway, with some of the comments that are made within it. Frankly, so do we, but we didn't actually direct them as to what they would report on, what they would say and how they would do it. We actually asked them to go have a look at the industry and give us an opinion. They've given us an opinion that would engage us in a discussion with them and with the communities with regards to forestry.

The Ministry of Forests agrees that the study would be useful and that we will expand the study to the entire forest sector to examine possible alternative uses for fibre, such as bioenergy. Our initial discussions have occurred with firms that could undertake such a study with regards to that one portion of the report.

We're reviewing the other aspects of it with regards to issues around land certainty, proposed action and review of conditions for attracting investment and

capital. We will work through that with them and with ourselves internally, and we'll probably engage other folks as well, because there are an awful lot of players, as the member knows, in the forest sector.

B. Simpson: Just for clarity, the minister said that he met with the Competition Council with respect to these reports. Was it the Competition Council? Yesterday the minister indicated he'd met with the sector groups, not the council. Just so that I'm clear: which is it?

Hon. R. Coleman: For clarification: it was the subcommittee — the people that did the other.... It wasn't the council itself. Yeah, you're right; I misspoke.

You know, you get so many councils, committees, organizations and trade groups. I actually need a dictionary for the number of acronyms in the ministry alone and probably could do an hour of acronyms. I used to say "anacronyms" and got corrected all the time, because that's not the way it's.... It's acronyms. We've got lots of those too.

I think what it is, is that you hear that the Competition Council has submitted a report, even though it's a subcommittee, so you tend to say "council," but it was the group, the two folks particularly on the solid-wood side. Those were the former Premier, Dan Miller, and a gentleman by the name of Mr. Thomson, who I met with, with regards to that report.

B. Simpson: I think "anachronism" is the term for a lot of what we have to deal with. Anyway, I'll leave that. My brain's getting fuzzified as well.

I want to just talk briefly about the substance of this document. The minister has indicated that they're looking at various aspects of it. Quite frankly, I was surprised, because the ministry had already announced that some of this work was underway and so was pre-emptive of it. It strikes me — and we've canvassed this in question period — that this is what the CEOs want.

This is what the industry believes it needs for competitiveness in the forest sector. What struck me is that if you take a look from 2002 on, much of this is what the industry has been getting. They're asking for further deregulation and further streamlining. They're asking for further reductions in fibre costs and a more flexible and reduced cost for the actual labour contracts that they've got, a decrease in administrative procedures, more rationalization and consolidation also.

It just strikes me that the industry is saying: "We want more of all the things that we've got." There's a presumptive ideology here that the best way for British Columbia to be positioned in the marketplace is as a low-cost producer.

[1140]

Yet in the same document it talks about the fact that, particularly in the pulp sector, we should not prop up non-viable assets. In anything I read on pulp, it's non-viable in British Columbia. Here we're supposed to go and bend over backwards on reducing the cost of social rents, getting a better regulatory and la-

bour climate and everything else for a pulp industry that even their own report says isn't viable long term. So there's an inherent illogic in the document.

I'm wondering. When we brought this up in question period, one of the things we asked was: is it possible for this to be the starting point of a discussion in this province about what we want the future of the industry to be? Take this as a starting point for the industry's position, but get out and use it to engage communities, workers and local leaders in what they believe the industry needs to be for communities and British Columbians to benefit — not just the shareholders of these companies. Is that a possibility in terms of taking these documents forward so that they can be used as a discussion point for a bigger conversation on the future of the forest industry in this province?

Hon. R. Coleman: I wouldn't want this report, by itself, to be the foundation for the discussion, because it's not like everything in there is gospel either. There are, obviously, some biases in every report that you get. It doesn't matter who writes it.

The challenge to the future of the B.C. forest sector is a part, I think, of the whole ongoing discussion that takes place in various groups, whether it be in silviculture organizations, small tenures, small business groups, the Council of Forest Industries or the B.C. Lumber Trade Council — there are enough of those, certainly — and in community groups. The challenge is, even as the member describes, the company looking at its shareholders.

The interesting dynamic that we found, even on doing softwood, was this. We have companies that think in terms of quarters. We have other companies that might think in terms of a year. We have some who think in terms of 30 days — the pressure of the bank. "I've got to find a solution in the next 30 days." And we have others that think long term.

If you look around the province — and the member knows because he has a number of these family operations, even in his area — where families have built businesses, they really do drive a longer-term vision into their companies than some others. When they do that, they actually very much have a connection to the communities they're in. There are a lot of those, and we should be proud of them.

The challenge is: how do we get the vision from all of those guys to coalesce? You know, whenever a company is a public company — as the member knows, particularly in today's investment environment — sometimes the mutual fund company is actually driving decisions with regards to it. I'd like us to break that mould as we move forward.

I think that the important aspect, even of softwood, was.... I had this comment from a number of small companies after the deal was done, and it was this: "Thank you for remembering us." Because that big train — that big producer — starts to leave the station, and as it leaves the station, it's thinking in terms of what it can drive through the system on throughput, what it can do from its high-tech mills and all the rest of it.

The guy who's making \$1,200-per-thousand siding, who might employ 80 or 100 people in an area of the province, is left standing on the side of the road saying: "Well, just a minute. What about my high-value cap? What about me being able to know what my certainty is for a company that is really us — the family and the community?"

I think that the healthy discussion needs to go forward from this. Maybe, even, the experience of going through softwood has crystallized in my mind how important it is to have a relationship with all levels of this industry with regards to even talking about a trade deal.

I know that I spoke to one individual who's paying, in this case, \$1,200 a thousand. So they hit the border. They're paying \$127 today just on the duties that are there. At one time they were paying 27 percent. For almost four generations now they've been employing people in the community where they're at, and they've adapted their business over the years in different products, but they keep adapting.

[1145]

That dropped for them because they get a first mill price down to about \$22. We just put a hundred dollars per thousand or more into the bottom line of that company as we finished this deal. That could have been lost at the table if you only allowed the majors to make the decision or to have the input on this sort of stuff, so the discussion is way beyond the Competition Council's recommendations. A lot of it is geared to a corporate entity that doesn't necessarily fit the mould in a lot of communities.

If you go through the Okanagan and into the central interior and look at a company like Downey in Revelstoke, which is doing cedar and trying to get cedar from both areas of the province, their pressures today are.... Cedar is down, but it's still well above \$500, so they're still paying that. They also have the dollar effect on them and then, of course, market supply.

I think that as a province, if we want to see the long-term jobs in forestry.... If you go into a finger-joint mill, as the member knows, or into a siding manufacturer or even a flooring manufacturer, you see a whole lot more people working than you do in some large mills.

I think that we need to drive value-added. I think we need to drive innovation. I think we need to do that with a value-added strategy, which we've developed and are working on, to push that out the door, in addition to coalescing with the others. Over the next couple of years we need to engage communities in all aspects of this industry as we go forward, because I think it's a very important aspect to forestry and its contribution to our communities.

Really, we are very fortunate in B.C. to have this particular asset that can be used, and I think it's important to remember what the impact of the individual entrepreneur and family have brought to the communities across the province, in addition to.... I don't discount the contribution of the major companies in B.C. I

don't discount that for a second, because they're huge players, and they actually drive a lot of the other things that can be put into other companies.

We're going to have and continue to have.... Certainly, it's my intention as minister to engage as we go forward in more and more discussions at the community level to look at the future of forestry. I think it's critical.

Having said that, I also think that part of that critical piece was some stability. I believe that we've made the right decision on softwood. I've already seen, even in discussions as we worked towards trying to put the teams together to try to make the final document, the cooperation on our side of the border from the federal government.

I have to say again how proud I am that I live in a country that can.... Even though we have a lot of issues at times with our neighbour to the south and even though a lot of people had to get past personal histories and stuff with regards to softwood, we got there. For us and for the industry, it gives the opportunity to move forward, know what environment we're in and build the long-term stability for the industry with our communities through that type of discussion.

I think Thursday was a pretty good day in Canada, and going forward, the next 60 days will be good days to work through some of the details the member has brought to our attention today in this discussion, and what I brought to the table as well.

I'm proud of the extreme effort that was made by so many people to get softwood done. Every deal has its ups and its downs and its good and its bad. I still think today that we made the right decision and made a very good deal on behalf of our country and our industry.

Having said that, hon. Chair, noting the time, I move that the committee rise, report progress and seek leave to sit again.

Motion approved.

The committee rose at 11:49 a.m.

[1150]

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. B. Penner moved adjournment of the House.

Motion approved.

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

The House adjourned at 11:52 a.m.

PROCEEDINGS IN THE
DOUGLAS FIR ROOM

Committee of Supply

ESTIMATES: MINISTRY OF ECONOMIC
DEVELOPMENT AND MINISTER
RESPONSIBLE FOR THE ASIA-PACIFIC
INITIATIVE AND THE OLYMPICS
(continued)

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

The committee met at 10:10 a.m.

On Vote 23: ministry operations, \$309,328,000 (continued).

H. Bains: I want to thank the minister once again for trying to answer some of the questions that I have, and I want to thank the staff that are here to help us out through the process. I do want to thank the staff for the support they have given us during last Monday, I believe it was.

I want to go back to the 2010 secretariat. There are a few questions that I would like to ask to clarify certain things, and then we'll move on to some of the other areas.

First, if I could go back to.... I believe this is the 2005-2006 and 2007-2008. I'm looking at budget updates for the Ministry of Economic Development. The chart shows — I think we had some discussion on it last Monday.... The resource summary in that chart, under the operating expenses, the Olympic secretariat that shows here.... If I could ask the question: of \$153 million that is set aside for '06-07, I understand that \$7 million was for the secretariat expenses, so can you explain what the remaining \$144 million would make up and what would be the breakdown for that amount?

The Chair: Minister of Economic Development, I wonder if you could start by introducing your staff for the record.

Hon. C. Hansen: Yes, I will be pleased to do that. I know we did that at the outset the other day, but I'll be pleased to do it again today.

I am joined by Annette Antoniak, the acting deputy minister; also, Jeff Garrad, who is with the Olympic secretariat, the 2010 secretariat; and Doug Callbeck, the assistant deputy minister in the ministry.

[1015]

To answer the member's specific question with regard to the \$144 million, it breaks down: \$131 million will go to venues and capital costs, \$10 million will go to security costs, and \$3 million is for sport development.

H. Bains: This is set aside for '06-07, but this is the money that has not been transferred from the ministry

over to these three different areas that you have mentioned. For example, \$131 million, and \$10 million for security and \$3 million for sport development. Is that the money that has already passed through the secretariat, or is it still budgeted for but hasn't been transferred?

Hon. C. Hansen: Yes, that's correct.

H. Bains: If I take you back to '05-06 and to the same chart, it has listed \$109 million, and \$2.9 million was designated for the operating expenses for the secretariat. Maybe if I could get a breakdown for the remaining about \$160 million as well, please.

Hon. C. Hansen: Last year a lot of the moneys that were budgeted towards Olympic costs or related costs were, in fact, not spent last year, so some of those dollars went unspent towards the Olympics, and some of them were redirected in other areas. The actual spending out of that particular budget was \$3.5 million for sport development, \$2.6 million for security costs and \$3.3 million went towards the Live Sites program, which is part of our capital cost allocations.

Some of the other moneys that were put aside that were budgeted for but not allocated were around the establishment of the Olympic legacies. We were not able to flow those moneys last year because, basically, the receiving organization was not set up in a way that would have allowed us to flow those funds. Some of those particular allocations have been rebudgeted in these coming three years because of the fact that we couldn't flow the dollars last year.

H. Bains: If I add that up, the money that actually was spent from the '05-06 budget of the \$109 million was \$2.9 million for the secretariat, and \$3.5 million plus \$2.6 million and \$3.3 million adds up to about \$12 million. That's all that was spent, so there's \$97 million that was budgeted but wasn't spent, and some of it went to the Live Sites.

Can you give us a breakdown of the \$97 million? What happened to the \$97 million? Where did that go?

[1020]

Hon. C. Hansen: Of that, \$76 million was budgeted for the Whistler Legacies Society. This is a not-for-profit organization that is to be established by the various partners to provide for ongoing operational funding for the venues at Whistler. The organizations that need to be partners in establishing that were not able to get to a point where we could transfer those funds because, simply, the due diligence had not been done at that end.

Then, also, \$17 million was underspent for the Live Sites program. What we found after we set up the Live Sites program was that communities.... The intention was to flow the funds in the last fiscal year. Well, first of all, we had hoped that the federal government would come in on a partnership with that and that it would be a joint operation.

There was some time lost while we finally realized that we'd better just get on with the provincial share of it. That, in turn, delayed a lot of the opportunity that municipalities had to come forward with their ideas for their Live Sites initiatives. A decision was made to actually spread it out over the three years rather than trying to spend all that money in one year. So \$17 million was originally budgeted for Live Sites and was not spent on Live Sites because it will get spent over subsequent years instead.

The final \$5 million is for first nations initiatives. Again, it was anticipated that we'd be in a position to flow those dollars last fiscal year. That was not the case; therefore, some of those moneys have been built into the new fiscal plan.

H. Bains: If I look at the breakdown of the \$600 million, I think the Whistler legacy was to receive \$10 million out of that. Is that correct?

Hon. C. Hansen: As for the Whistler legacy itself, that is the \$76 million that will flow to a new body that'll be known as the Whistler Legacies Society once it's properly established. The \$10 million that the member may be referring to is what has been deemed to be the value of Crown land that is proposed to be transferred to the resort municipality of Whistler for the Whistler Olympic village.

[1025]

Even though it's not a cash transaction — it is actually simply the transfer of ownership of land which will take place at some point but has not yet taken place — when that land is transferred, we have to deem a value for that. It has to be accounted for even though there's not a cash value. I believe that's the \$10 million the member is referring to.

H. Bains: I'm looking at the 2004 progress report, and it reported provincial contributions. One of the contributions is \$10 million for Whistler legacy. It seems to me that is the part I'm talking about — a part that comes out of the \$600 million. What the minister has explained, the land value to be accounted for.... I think those are two different things. Please clarify that.

Hon. C. Hansen: I think I may have the reference that the member is looking at in the progress report on page 11. What it says is: Whistler legacy, \$10 million. It says: "The province and the resort municipality of Whistler will negotiate a transfer of provincial Crown land to Whistler to establish a land trust, to be used specifically as a long-term solution to Whistler's challenge in finding resident housing opportunities."

This is land that would be transferred for the construction of the Olympic village. The legacy that will come from the Olympic village in Whistler is that a sizeable proportion of that will be used for staff housing, which is really a critical need of Whistler today. The staff housing will be one of the legacies that will be left after the Olympic Games.

H. Bains: What I'm looking at is a breakdown of the \$600 million — provincial government contributions: Olympic venues, \$235 million; Olympic/Paralympic Live Sites, \$20 million; legacy endowment fund, \$55 million; security, \$87.5 million; essential services — medical, \$13 million; Paralympic and Winter Games, operating, \$20 million; aboriginal legacies, \$10 million; sports development, \$10 million; Whistler legacy, \$10 million; and provincial contingency fund, \$139.5 million.

That's the breakdown of the \$600 million. If we are talking about the same thing, about the Whistler legacy here at \$10 million.... On one hand, I'm hearing that it is the value of the land that has to be accounted for that will be transferred to the village of Whistler, but here is \$10 million that we had set aside for a Whistler legacy. Does that mean that \$10 million is to be paid to Whistler in order for them to transfer the land?

Hon. C. Hansen: No. What provincial governments in the past had done was provide grants of Crown land, and there was not a deemed cost to it. That is not in keeping with general accepted accounting principles, which we have adopted as a government for the province.

In keeping with generally accepted accounting principles, if we transfer an asset from the province to another owner, then we have to determine a value for that, and it has to be reflected in our books. Within the budget there is actually an allocation for Crown lands for each ministry in terms of what is anticipated. If you go to that section, you will see that this ministry has been given an allocation within that budget to allow for the transfer of lands at that deemed value. In this case it's \$10 million, which would be the value of the lands that will be transferred to the resort municipality of Whistler for the construction of the Olympic village.

H. Bains: If I have it correct, the \$600 million isn't all cash then. At least \$10 million that we've identified today is the value of the land that will be transferred, which was the provincial land worth \$10 million. Is that correct? The \$595 million, as it stood at that particular time, was the cash transfer, and \$10 million would be the land value, to add up to \$600 million.

[1030]

Hon. C. Hansen: The member is correct that it is not all cash. There is definitely \$10 million that would be non-cash, as we have discussed, for the transfer of this land. There is the potential that there may be other elements of the \$600 million that would be non-cash in terms of other land transfers. Some of those are still being negotiated with the respective partners, but there's the potential that there may be additional as well. I can't tell you definitively that all \$590 million will in fact be cash, because there's the potential for other elements of that to be in the form of land transfers.

H. Bains: But there are some other lands that are being negotiated, although they're not completed. Can

the minister name some of those that are being talked about and that have the potential of being transferred over?

Hon. C. Hansen: The other potential land transfers that are being negotiated involve some of the first nations partners that we have in the Olympic — I'm trying to think of the name of the agreement again here — multiparty agreement.

H. Bains: Now I come back to the \$76 million that went to Whistler legacy. My understanding through our discussion last Monday was that the purpose of 2010 secretariat is to monitor the funds that flow from the government to different areas pertaining to the Olympics. This money actually was monitored and administered by 2010 Olympic secretariat, and as I understand now, \$76 million of that has been transferred over to Whistler legacy and \$17 million was underspent. I'll have a question on that later as well. So \$76 million actually has been transferred to Whistler legacy?

Hon. C. Hansen: The \$76 million has not yet gone anywhere. It is the Whistler Legacies Society that is to be established, and it was our hope that it would have been established last fiscal so that we could actually flow these dollars. The Whistler Legacies Society has not yet been formally established, which has prevented us from flowing the dollars.

Just to make it clear, the \$76 million is part of the \$235 million allocation for venue construction. That \$76 million is to go specifically to the construction of the Nordic centre and also the sliding centre at Whistler.

[1035]

H. Bains: I guess the question then would be on the \$5 million for the first nations and the \$17 million that was underspent. Maybe the minister could explain to us the definition of "underspent" and where that money is.

Hon. C. Hansen: The \$17 million of underspending in the Live Sites program was because of the fact that the program was initially designed so that all of that money would have been spent, would have flowed in the previous fiscal year. Because of the requests we had from municipalities around the province, particularly from up north, interestingly, where they have a shorter construction season, we agreed to extend the deadline on that program. The \$20 million that has been budgeted can actually be spent over a three-year period rather than all of it having to be spent in the last fiscal year. So that's the \$17 million.

In terms of the \$5 million, that was money that had been budgeted for part of a land transfer. At the time it was anticipated that we may actually have to purchase the land for real dollars that would have to be allocated. We now believe that we can facilitate that particular initiative through a Crown land transfer. So instead of it being reflected last year in a cash sense,

this year it's actually in the budget still, but it's there as a probable transfer of Crown land, which is part of what is being negotiated with first nations.

H. Bains: If I just go over those four years of operating expenses — as you say, it's here under the 2010 Olympic secretariat — \$109 million, \$153 million, \$58 million and \$46 million in those different years. It comes to about \$366 million or thereabouts, if you add them up. Out of that, \$25 million is the actual expenses to operate and run the 2010 secretariat office. The remaining about \$341 million: does that \$341 million come out of the \$600 million — all of that?

Hon. C. Hansen: The answer is yes. All of that approximately \$341 million is.... There may be some rounding issues in there, so it may be plus or minus on the \$341 million, but yes, that is all part of the \$600 million.

[1040]

H. Bains: If I could take you to the '06-07, '08-09 fiscal plan. The other one, for comparison purposes, is '05-06 and '07-08. This is the budget and fiscal plan. If you look under this current plan, it has \$81 million for venues and Live Sites set aside. But in the previous budget, if you look at that one, when you add those two, it comes to \$94 million — \$51 million for '03-04, plus \$43 million for '04-05. There's a discrepancy of about \$13 million.

If you could explain how that comes about. If the money was allocated for '03-04, \$51 million, and \$43 million for '04-05.... From the book that I read, it just seems to me that that money was spent, but when you look at year-to-date money spent on venues and Live Sites listed under the '06-07 and '08-09 plans, it shows \$81 million, so there's a discrepancy. If you could explain that, please.

Hon. C. Hansen: I don't have a copy of the previous fiscal plan. We have this year's budget reports, but I don't have the previous one, so basically I can't give the member an answer right now. We'll try to get an answer for him as soon as we can.

H. Bains: Actually, I could probably pass the previous year over to the minister, if that would help.

Hon. C. Hansen: When this budget report would have come out.... It would have been in February. In fact, I remember the day well in February of 2005, so it came out prior to the end of the '04-05 fiscal year.

The numbers that are in here would reflect actual spending in '03-04, but at the time this budget document would have been prepared, it would have reflected what they anticipated to be the budget. So the \$43 million in here for '04-05 was a preliminary number, a projected number for the end of that fiscal year, which was still several months away.

Those are moneys that had been budgeted, and then, we don't know exactly what that might have

been, that \$13 million, but our speculation is that it probably had to do with some of the first nations negotiations where we anticipated being in a position to flow dollars. Then we were not able to get to that point by the end of the fiscal year, so that had to be built into subsequent years' budgets.

We believe that's the explanation for this particular difference in the \$94 million versus the \$81 million.

[1045]

H. Bains: So \$13 million less was spent than what was anticipated, for whatever reason. What happened to that \$13 million that was budgeted for and wasn't spent?

Hon. C. Hansen: Basically, what's happened to those commitments is that the commitments still stand, or the allocation is there, but because we couldn't flow the money in that year, we had to build it into subsequent years' budgets. When it comes to the negotiations we're having with first nations, or whether it's the Live Sites program, those have all been.... I think the term they use in the Ministry of Finances is to reprofile some of these expenditures so that they actually move forward into subsequent fiscal years.

H. Bains: I would have some questions about Torino, as much has been made.... The minister rightly said that we need to learn from their experience. We were there to find out about their experiences and all the pluses and then the shortfalls that might have been there — to learn so that we don't fall into the same sort of scenario.

Can I ask the minister for the total secretariat travel expenses up until now? What would be the travel expenses, and would that include travel to Torino for staff and others?

Hon. C. Hansen: I don't have an exact number. I don't have even an estimate as to what the travel budget would have been for this past fiscal year. It certainly will all be part of what gets compiled for public accounts.

I can tell the member that there were five officials from the secretariat who travelled to Italy and were there for part of the games, at least. But I don't have the exact numbers on what travel expenditures would have been. As I say, that's something that would be compiled and become part of the public accounts.

H. Bains: So the travel expenses for the Torino trip — would that come under the previous year's budget, or would that be this current year's budget?

Hon. C. Hansen: Previous.

H. Bains: What is the year-end for fiscal purposes for the secretariat?

Hon. C. Hansen: March 31.

H. Bains: Whatever that budget is, you don't have the answer for it. Perhaps you could provide that to us

later. My question would be, then.... The total expenses were \$2.9 million for the last year to operate the secretariat's office. Would that travel budget be part of that \$2.9 million?

Hon. C. Hansen: Yes, that's correct.

H. Bains: Was there any other cost incurred while they were there? Were they engaged in any other activity to promote British Columbia that would require us to spend provincial money or the secretariat's money? Might they have been engaged in some of the other activities?

[1050]

Hon. C. Hansen: The staff that were there were.... It was not just Olympic-focused, because we were really taking advantage of the opportunity to be in Turin to market British Columbia.

There were at least three conferences that took place at B.C.-Canada Place that I can think of off the top of my head. One was focused on biotech. There was another one that was focused on forest products. Another one was focused on tourism. Some of the Olympic secretariat staff were providing some of their time to assist with some of those undertakings.

Also, there were about 80 B.C. companies that used B.C.-Canada Place as a venue, through which they could showcase their enterprises. Some of the staff work that was done was in support of some of those activities as well, and all of that would be included in the \$2.9 million secretariat budget.

H. Bains: A couple of questions on the Canada-B.C. village, which was established there to showcase B.C. and Canada, as I understand. We were advised that the total cost was \$6 million. Can I ask the minister: does this include the total cost of transporting the house itself — the building and transportation and operating? Is that the total? Is there any other cost that was incurred — from the planning of the village to transporting, setting it up and dismantling and bringing it back? Does that \$6 million include all of that cost?

Hon. C. Hansen: The actual \$6 million is a rounded number. It's actually \$5.8 million. The answer to the member's question is that yes, it does include all of those costs that he mentioned, with the exception of dismantling and returning the log house to Canada. That would have been quite expensive to do, to return it.

Actually, the log house, after the completion of the games, was gifted to the city of Turin as one of their legacies from the 2006 Winter Games that they hosted. We had a ceremonial handoff of the key for the building to the mayor of Turin.

H. Bains: As I gather, because it was a costly venture to dismantle, bring it back and put it back here in B.C., we decided it would be best for us to use that as a

gift to Torino. What will be the cost value, the dollar value, of that present that we left there for Torino?

Hon. C. Hansen: The actual cost of the log house itself was \$2.9 million, which included everything. It was the actual design, the construction and the shipping. It included the treatment of the logs in British Columbia before they were shipped to Torino.

[1055]

Interestingly, as a result of shipping that house over there, we've now been able to establish standards by which the European Union will accept the importation of log houses, which was not there before. Any log houses that had ever gone to Europe before were done on a case-by-case basis, so this is actually a pretty big breakthrough for the log-house industry in British Columbia — that there's now an established standard that gives some certainty, and certainty around costs and process, for the export of log houses from British Columbia to Europe in the future.

I can tell you, that log house attracted lots of attention, and it will be an ongoing legacy of British Columbia. I think that that log house will continue to promote British Columbia in the years ahead.

This legacy was something that we committed to when Turin originally allowed us the use of this fabulous plaza in the core of downtown Turin. It was really an ideal location and one that had a very high profile, so in consideration of the city allowing us the use of that plaza, it was agreed that we would leave this house as part of that legacy.

H. Bains: I want to turn to the contingency fund: \$139.5 million that comes out of the \$600 million envelope. The minister advised us last time that \$55 million has been set aside now for the venue construction which has gone over what was anticipated from that point on. My understanding is also that there's \$8 million that has already been already used up. Can the minister explain what the \$8 million was and what it was used for?

Hon. C. Hansen: That is a notional allocation against the contingency. It is to allow for some of the negotiations that are currently underway with first nations as part of the shared legacy agreement. The dollars have not flowed, but there is a notional allocation against the contingency for that amount.

H. Bains: I thought that the \$139.5 million contingency fund is in the event of some things that weren't anticipated, and therefore you'd go into the contingency fund and dip into it. Why, then, did we decide to use this \$8 million out of the contingency rather than finding it in other places?

Hon. C. Hansen: The short answer is that this particular allocation was not anticipated. The \$139.5 million contingency actually goes back to the time of the bid book, so I guess it would be 2002 that that \$600 million budget was structured. The \$139 million is

really there to provide for inflation, because we know it was 2002 dollars, but in addition, it was to provide for other things that were not anticipated at the time of the bid book. This was one example of that.

H. Bains: So \$55 million is allocated for venue construction now in addition to what was anticipated originally, and \$8 million is for the reason the minister explained. That comes to \$63 million.

[1100]

There are a number of areas, which the Auditor General brought up in his report, where the contingency fund may not be sufficient — considering inflation, the cost of construction, the cost of labour and all the other things that he mentioned in his report.

My question is: the remaining contingency fund — is this sufficient to sustain all those issues that the Auditor General brought up and warned the government about as to why the contingency fund may not be sufficient? Are we at the position now to say that the remaining amount out of the \$139.5 million, other than what has already been budgeted for or set aside, is sufficient?

Hon. C. Hansen: First of all, just to correct something the member said. The \$55 million of access to contingency for the inflationary pressures on the venue construction has not yet been allocated. The request has been received from VANOC. It has been considered by government, and we believe that we should be.... We will make a decision to allocate that once we know where the federal government is heading with their share, because we believe that it needs to be a 50-50 partnership.

That puts some pressure on VANOC, because they would like to get on with allocating towards the full venue needs that they have. But at this point, that \$55 million.... We have not given the green light for that additional commitment out of the contingency to go forward. It is certainly there as a pressure against the contingency.

We do believe that the remaining contingency will be adequate. The reason I feel that way is that the one aspect of the Olympic costs that the provincial and federal government — or governments, because it can include municipal as well — have to take responsibility for is venue construction. Any capital expenditures cannot come out of the operating revenues that VANOC is receiving. For example, if they receive \$100 million from corporation X for national sponsorship, they can't use a portion of that \$100 million for capital expenditures to fund increased venue cost pressures, but they can use it towards the operating side of the Olympic Games.

We know that VANOC has been more successful than they had anticipated in terms of their sponsorship revenues, so they're seeing an upside on that. We believe that will go a long way to covering off whatever increases they may face with regard to their operating budgets.

When it comes to the capital side of it, as I say, there is a \$55 million request. There is still a sizeable....

I haven't done the arithmetic, but I think it's about \$80-some-odd million that would be left in the contingency should we approve the \$55 million.

H. Bains: I just want to make it clear, or have the minister make this one issue clear.... My understanding so far has been that when VANOC requested \$110 million in additional funds for venue construction, the provincial government committed \$55 million, provided that the federal government also came up with their 50 percent of the share.

If the federal government does not come up.... The argument can be used by the federal government that we committed with those numbers in place and that we committed those funds, and now that you're asking for additional funds, it is your responsibility, not our responsibility. Our 50-percent commitment was based on the numbers that were provided to us at that particular time. But we have already committed 50 percent of that, as I understand, provided that the federal government also comes up with their part of the 50 percent.

If they refuse to come up with the 50 percent of their side, then are we saying that our portion — the provincial government portion of \$55 million — will not be available to VANOC?

Hon. C. Hansen: The federal government signed a multiparty agreement. In the multiparty agreement they explicitly committed to \$235 million for venue construction, in 2002 dollars. In any of the discussions we've had with the federal government, there is nobody that is denying that responsibility or denying the fact that this is in 2002 dollars.

[1105]

We have no reason to believe the federal government will shirk on those responsibilities. It's more a case of the timing, and we would obviously like to see the federal government process that request much faster than they are. We're putting as much pressure on them as we can to get that decision made so that we can get on with it.

In the meantime we're trying to work with VANOC to assist them so that they can get on with their venue construction in a timely way.

H. Bains: Looking at the multiparty agreement, there's that commitment of \$235 million from the federal government towards venue construction and \$87.5 million towards security as their 50 percent, and I think there's a medical part that they have partnered with us as well. Is that correct?

Hon. C. Hansen: No. In the \$600 million that we've committed, there's \$13 million towards medical and other related expenses. The federal government does not have a corresponding commitment with regard to medical costs.

H. Bains: But there are commitments other than security and venue construction such as, I think, Live

Sites. Anyway, those are the commitments made in 2000 dollars in that agreement. But there's no proviso in the agreement that stipulates that if the cost goes up, they will participate or come up with 50 percent of the additional costs. Is there any provision in the agreement that allows them to come up with that 50 percent?

Hon. C. Hansen: With the fact that the federal government signed the multiparty agreement, which explicitly states we're talking about 2002 dollars, I think it would be very difficult for them to come back and say that if venue construction had taken place in 2002, it was going to cost \$235 million. It would be pretty much a stretch for anybody to try to argue that in 2006 or 2007, you could still do the same construction for the same \$235 million.

As I say, the federal government, in our discussions with them, are certainly not trying to deny that they have responsibilities to increase their \$235 million to reflect the fact that we're no longer talking about 2002 dollars.

H. Bains: Nothing in that multiparty agreement binds the federal government to come up with additional dollars. There's no provision in that agreement that requires them to come up with 50 percent of any additional cost over and above the 2002 dollars. But the provincial government is responsible for any cost overruns; those provisions are in there.

There's no legal requirement for the federal government to come up with 50 percent of any additional dollars that may be over and above the 2002 budget.

Hon. C. Hansen: I just want to comment on the member's.... He talked about: "We pick up all of the costs." We have a limited guarantee that we have given, and it's to the IOC in terms of cost overruns. We have not given a blanket indemnity for general cost overruns and certainly nothing as it would pertain to venue construction.

In the multiparty agreement we as a province have exactly the same obligation as the federal government has when it comes to venue construction. Each of us is obligated to \$235 million in 2002 dollars, and the agreement is a contract. If it were ever to go to a court for interpretation, the federal government would be pretty hard-pressed to argue that \$235 million in 2002 dollars translates into \$235 million in 2006 or 2007.

[1110]

I think that legally, the agreement that's there is binding and would stand up, but I don't anticipate we'll ever get to that. As I say, the discussions we've had with the federal government have been most constructive, and they certainly recognize that they have obligations.

H. Bains: During last Monday's debate, the estimates discussion, I asked the question about the VANOC business plan, which was to be ready by April 2005. The minister's answer was that they provided us

with a business plan, and we rejected it, and that you consider that to be an interim business plan.

If the business plan was rejected by the provincial government, then my question is: under what business plan or financial plan did we agree to provide \$8 million out of the contingency plan and this \$55 million that we have committed if the federal government comes up with additional on their part? How do you agree to provide additional funding to VANOC if they don't even have a final business plan?

Hon. C. Hansen: When we visited this a week ago yesterday, I gave the member a breakdown of the dollars that had actually flowed to VANOC at this point, and it includes \$19 million for venues and \$2 million for venue planning. That's all that has flowed to VANOC at this point. The \$8 million that the member referenced in his question has nothing to do with VANOC, and that money will not flow to or through VANOC.

Just to be clear, we didn't reject the business plan. When they provided us with the business plan for our approval, as was required, we did not approve it because we felt there was still more due diligence. There had to be areas that had to be fleshed out and more information that had to be gathered. It wasn't a case of us saying: "Do this next week and provide us with another one, and we'll approve it." It's really a case of saying that there was a lot of work to be done to have a robust business plan, and it included learning from the Torino experience.

We know that VANOC is now working on that new version of a business plan which they will submit to us, and we will do our due diligence on it. Meanwhile VANOC still has operational responsibilities. They are working within their budgets, and we are providing dollars to them out of our appropriation. But as I say, to date only \$21 million has flowed to VANOC from the provincial government.

H. Bains: I think the word "rejected" was used, but we could go back into *Hansard* and double-check that. The business plan was supposed to have a number of components in it. One was the capital budget, and my understanding is that includes the venue construction. Is that not correct?

[1115]

Hon. C. Hansen: That is correct.

H. Bains: How is it, then, that we are agreeing to additional funding in venue construction without them even finalizing their business plan? That seems to be the question. If they don't have a finalized business plan where you know exactly what the numbers are, but in one component of it we are already agreeing to give them additional funding... Based on what? I mean, where is the overall business plan that fits capital costs in it? Perhaps we could have asked the question: why couldn't some of this additional funding that is being asked for come out of the revenue generation

they are responsible for — to bring through sponsorships and others?

Hon. C. Hansen: The issue the member raises is exactly why it reflects the work that is being done. The original draft of the business plan that was presented to us last year was developed in April 2005, I guess it would have been. The only way that any organization is going to have hard numbers when it comes to construction is to actually go out with an RFP and get bids that come in on actual costs.

Throughout this process, right from when the bid book was prepared, people were looking at projected costs and best estimates. But the more information that comes in, the better informed those estimates can be. That's exactly the process that VANOC has gone through. They developed a business plan last year that reflected the venue construction of \$470 million. Through the additional work that has been done and is ongoing, they're able to refine those numbers.

We've asked VANOC to be a bit more robust in some of their work in the business plan, and venue construction is no exception to that. For example, we have suggested to them that when they come forward with their new version of the business plan, it should in fact reflect what they know as the increased venue costs. That was not reflected in the business plan last year, because it was information they did not know.

The business plan, I think, needs to be a robust document, and we are working with them. We're not flowing the money to VANOC until such time as the work for each venue is properly done. It doesn't say that we can't look at these on a case-by-case basis for venue by venue. The business plan will be robust. It will package all of this material into one presentation. But in the meantime, there is work that needs to be done and is being done.

H. Bains: I thought that under the multiparty agreement, the responsibility for developing the business plan was VANOC's, and they were to come up with the final plan April 2005. They did, as was reported here. It's the government who said no to that business plan.

So who is actually deciding how much venue construction will be? Is it the government? Is it VANOC? They were the ones who were supposed to come up with those numbers and bring them to your attention for approval. They must have some numbers in that interim plan that was presented to the government. As far as the venue construction is concerned, were those numbers \$470 million? Were they more? Were they less? Or is it the government deciding that those numbers are not feasible?

[1120]

Hon. C. Hansen: What VANOC was required to do last April was develop a business plan. Nobody ever anticipated it would be a final business plan. Even today we know that VANOC will present a business plan

to us later this year, and I have every expectation that it will evolve and change as we get closer to 2010.

The plan that was presented to us last year reflected what they knew of their venue costs to that date. It did not reflect the additional \$110 million that they subsequently came to government and requested. That is part of what we have asked them in developing their new version of the business plan — to make sure that it reflects everything that we know about venue construction.

H. Bains: Just to go back and clarify, a business plan was presented to the minister for the minister's review and approval in April. Then they came back to the minister for additional funding in August. Are those the dates — the timing that we're looking at — or are there different times and dates?

Hon. C. Hansen: The business plan was presented to us in June of last year, as was required, so they lived up to their obligation. The request for the additional \$110 million of construction, or the half of that request coming to the province, came to us in October.

H. Bains: My understanding was that under the multiparty agreement, they were to put that plan and present to you by April, not June. That's what they agreed. The way I read the multiparty agreement, the business plan was to be ready and finalized by April 2005, but it was presented to you in June. That's what happened.

In October they came back with additional funding. That's July, August, September — three months later. How is it that in three months they realized that additional funding was needed for venue construction, when they didn't know by June? What new things came up in those three months that they didn't know prior to June?

Hon. C. Hansen: The member is correct. In the multiparty agreement it does say April, and the federal government and the provincial government both agreed to an extension of that deadline to June 30.

In the development of that business plan, I have no doubt that that was over a period of time. It's not like somebody went out and did fresh estimates on June 29 and then plugged them into the business plan they then sent over to us later that afternoon.

It is a process that would have gone on. They would have assembled all of the information that they had and the best estimates from the previous months. But at the same time, we know what was happening in the construction industry in British Columbia during that period of time — significant cost pressures. I think every organization in the province with anything to do with construction, not just VANOC, knew that they needed to be updating their numbers during that time frame.

It really was a whole new reality in terms of what would be anticipated for construction costs in the subsequent years. I know that VANOC actually went out

and commissioned some quantity surveyors to do some detailed work around their venue construction. It was that work, which they got that summer, which allowed them to update their estimates and come forward in October with their subsequent request.

[1125]

H. Bains: My question still remains. I agree with your statement that it is not somebody sitting down one day and deciding that this is how much the cost is going to be and this is how much the revenue is going to be. It's a lengthy process, and they will be considering all those factors that the minister has explained here.

There was a reason that they asked for an extension in April. They were working on that plan, and they weren't ready to present it to both the provincial and the federal government. There is a reason why the extension was given. With that approval, June 30 was agreed to for them to come up with that plan.

You would think that they had considered all those factors when they put that plan together. In that plan, if there was only \$470 million still showing for venue construction, how could it be that in only a short three months they came up with an additional \$110 million that they didn't know of in the prior year or prior months? That's the question.

How is it that it took them only three months to determine that there was an additional \$110 million required, rather than June 30? They were going through this process right up till June 30, so why wouldn't they put it in the plan that there are cost pressures and that we need not \$470 million but \$580 million? Why wouldn't they do that in June?

Hon. C. Hansen: The business plan is not just about a.... It's not a capital plan. It's for the entire operation. The whole structure of VANOC and what they're facing is obviously incredibly complex, and the construction side of it is just one of them.

The short answer is that they would not have put \$580 million into the business plan that they drafted in June of 2005 because they didn't know that number. As I mentioned earlier, they sought the advice of outside consultants to do quantity survey work. They got that information subsequent to the end of June, which subsequently led to their request.

That is exactly why we as the provincial government did not formally accept the business plan that they had presented. Even as we were reviewing the business plan, more information was coming in which pointed to the fact that some of the numbers they had put in the business plan that they presented in June were now out of date. That's why we have asked them to update those with the latest in available numbers and to resubmit it in a form that is more robust. That's exactly the process that's underway now.

H. Bains: In April they needed agreement from both the provincial and federal government to give them more time to come up with this plan. Then, again,

it was only an interim plan, and we still don't have a business plan put together. Another six months have gone by.

Is there additional information coming? Is there a reason why they can't put that plan together, as was the case between June and October or the months leading up to June? Is there some other information that they do not have at this particular time, which they are still looking at in order to finalize that plan?

Hon. C. Hansen: Actually, there are a lot of things that are not certain even today, which VANOC is working on, and that they will need to know to really have a robust business plan in place. For example, we talked earlier about the learnings that will come from Torino. We believe that experience that took place in Torino needs to be reflected in their business plan. As we've discussed, they're working on that today.

Also, a week ago we talked about the fact that VANOC still does not know, from the IOC, what their share of revenues will be from the international sponsors. That used to be a set formula. It is no longer a set formula but rather something that needs to be negotiated. VANOC and the IOC still have to sort that out. That's an important part of their revenues for the operating side.

[1130]

VANOC has to be careful that they build their business plan and their budgets to reflect what they know is certain in terms of their revenues. They can't commit to expenditures until they know that, in fact, they have revenues to cover them. That's exactly what we expect of them. They don't spend money they don't have. So there are various elements that are yet to be finalized and that need to be reflected in a business plan.

H. Bains: I guess that process could continue on right up until February of 2010, because new sponsors could continue to come on, and expenditures that aren't being anticipated could drop into their lap. In order to finalize the business plan, have you asked VANOC, as minister responsible, when the final plan is coming? Is there a date agreed to?

Hon. C. Hansen: There will not be a final business plan because the business plan has to be a living document. It's there to guide the organization obviously, but it also has to be updated from time to time to reflect new information that will come forward. But in the business plan, for example, I expect they will discuss what some of their expenditures will be if they get additional revenues and expenditures that would not be committed if they don't.

There is obviously always going to be a certain degree of unknown, because a business plan is a blueprint. It's not necessarily something that needs to be etched in stone and, by its very nature, does not have all of the certainty that any of us may wish just because of the nature of the organization.

I know that in large corporate structures where a business has been around for 20 years, developing a business plan for that organization where there is a history and a track record, it's difficult enough to put a business plan in place there. For an organization that's brand new and is being built from the ground up to put on a \$2 billion enterprise known as the 2010 games, that's an even bigger challenge. I have every expectation that we will have a robust business plan, but it will still need some flexibility.

H. Bains: Thank you, minister, for that answer.

I guess if that's how the business plan will work.... I understand the reasons behind it, and that it will be a document that will be a blueprint, but it has to be updated as we go along, as the new information comes up. Wouldn't that fit the definition of the business plan that was presented to the minister in June last year?

That could be a business plan, but one that needs to be updated every three months or every six months — whatever the case may be. So why don't we call that a business plan? Then updates will come up every three months or whenever the decisions are made — however often you want to update those plans. Why don't we consider that a business plan? What is this about the finalized plan which will not be finalized, as the minister said?

Hon. C. Hansen: Maybe we have to take just one step back to clarify where we're at in this discussion. VANOC prepared a business plan last spring which they presented to the federal and provincial governments in June of last year. Technically, the language is that they have to present it for approval.

[1135]

At the provincial government level, we reviewed it, and we felt it was not robust enough at that point that we should actually approve of that particular document. VANOC continues to develop the business plan that they put in place last year. I'm sure they continue to work towards the objectives set out in the business plan that they prepared a year ago.

The only thing that is of a technical nature here is that they have a document called a business plan, which they continue to work on and evolve and to make more robust. The only thing, the only technicality in this whole process, is that the province has not approved the business plan they presented last year.

H. Bains: Is there a time line in which we have asked VANOC to come up with that final document for the government of British Columbia to approve?

Hon. C. Hansen: There is not a precise time line on it. We are anxious that the revised business plan be as robust as possible. It has to include what they have learned from the experiences in Torino. We know they're working on it very diligently, and we anticipate that it will be available as soon as possible, but there's not a precise date.

H. Bains: Is it within weeks? Is it within months? Is it within years? Are there two months, three months? Is there any estimated time that the minister has given to VANOC for them to come up with that finalized document?

Hon. C. Hansen: VANOC has made a commitment that they would update their budget and their business plan following the Torino games and that they will also update their budget and their business plan following the 2008 Beijing games. That's exactly what they're working on now — the update post-Torino.

You know, some of the elements of these are not something you can put specific time lines on — for example, the negotiations with the IOC with regard to the share of sponsorship revenues. That is something that's ongoing, but at the provincial government level we're certainly not in a position to anticipate exactly what that time line might be. I can assure the member that the updated business plan will be sometime this year.

H. Bains: Let me ask some questions about the monitoring process. Is there someone at the 2010 secretariat who actually monitors the risk management that has been put together in the progress report? Who would that person be, and how often do they get their report from VANOC?

Hon. C. Hansen: VANOC does report on its risk management. They've just recently hired a senior official with VANOC, specifically to look at risk management. They provide updates on risk management through the Finance Committee on a regular basis, and the province has representation on the Finance Committee.

H. Bains: Is there someone at the 2010 secretariat who is responsible to receive the reports and monitor on an ongoing basis whether those reports are coming, whether they are on track as far as the goals and objectives of the government?

[1140]

Hon. C. Hansen: Yes, the CEO of the secretariat is an ex-officio member of the Finance Committee and attends the Finance Committee meetings and, therefore, receives that information at that time.

H. Bains: Noting the time, I understand that I have to do this as part of this process. I move that the committee rise, report progress and ask leave to sit again.

Motion approved.

The committee rose at 11:41 a.m.

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