



Second Session, 38th Parliament

REPORT OF PROCEEDINGS
(HANSARD)

SELECT STANDING COMMITTEE ON
**FINANCE AND
GOVERNMENT SERVICES**

Nanaimo

Tuesday, September 19, 2006

Issue No. 23

BLAIR LEKSTROM, MLA, CHAIR

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**SELECT STANDING COMMITTEE ON
FINANCE AND GOVERNMENT SERVICES**

Nanaimo
Tuesday, September 19, 2006

Chair: * Blair Lekstrom (Peace River South L)

Deputy Chair: Vacant

Members: * Iain Black (Port Moody–Westwood L)
* Harry Bloy (Burquitlam L)
* Randy Hawes (Maple Ridge–Mission L)
* Dave S. Hayer (Surrey–Tynehead L)
* Richard T. Lee (Burnaby North L)
John Horgan (Malahat–Juan de Fuca NDP)
* Jenny Wai Ching Kwan (Vancouver–Mount Pleasant NDP)
* Bruce Ralston (Surrey–Whalley NDP)
* Bob Simpson (Cariboo North NDP)

**denotes member present*

Clerk: Kate Ryan-Lloyd

Committee Staff: Dorothy Jones (Committees Assistant)

Witnesses: Steve Beasley (Malaspina Students Union)
Gordon Cote (Willow WAI Project)
Lynne Fraser (Nanaimo Arts Group)
Maxine Haley
John Horn (Chair, Nanaimo Working Group on Homelessness)
Mike Hunter (Willow WAI Project)
Michael Olson (Malaspina Students Union)
Dominique Roelants (Malaspina Faculty Association)
Darshan Sihota (President, Island Timberlands LP)
Jane Templeman (Willow WAI Project)
Sandra Thomson (Nanaimo Arts Group)
Debbie Trueman (Nanaimo Arts Group)
Doug Tyce (Tyce Carle-Thiesson Chartered Accountants)

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MINUTES

SELECT STANDING COMMITTEE ON FINANCE AND GOVERNMENT SERVICES



Tuesday, September 19, 2006
10:00 a.m.
Opera Room, Best Western Dorchester Hotel
70 Church Street, Nanaimo

Present: Blair Lekstrom, MLA (Chair); Iain Black, MLA; Harry Bloy, MLA; Randy Hawes, MLA; Dave S. Hayer, MLA; Jenny Wai Ching Kwan, MLA; Richard T. Lee, MLA; Bruce Ralston, MLA; Bob Simpson, MLA

Unavoidably Absent: John Horgan, MLA

1. The Chair called the Committee to order at 10:08 a.m.
2. Opening statements by Mr. Blair Lekstrom, MLA, Chair.
3. The following witnesses appeared before the Committee and answered questions:

- | | |
|--|--------------------|
| 1) Malaspina Faculty Association | Dominique Roelants |
| 2) Tyce Carle-Thiesson Chartered Accountants | Doug Tyce |
| 3) Willow WAI project | Mike Hunter |
| | Jane Templeman |
| | Gordon Cote |
| 4) Nanaimo Arts Group | Lynne Fraser |
| | Sandra Thomson |
| | Debbie Trueman |
| 5) Malaspina Students' Union | Michael Olson |
| | Steve Beasley |
| 6) Nanaimo Working Group on Homelessness | John Horn |
| 7) Maxine Haley | |
| 8) Island Timberlands LP | Darshan Sihota |

4. The Committee recessed from 12:45 p.m. to 1:35 p.m.
5. The Committee adjourned at 1:36 p.m. to the call of the Chair.

Blair Lekstrom, MLA
Chair

Kate Ryan-Lloyd
Clerk Assistant and
Committee Clerk

TUESDAY, SEPTEMBER 19, 2006

The committee met at 10:08 a.m.

[B. Lekstrom in the chair.]

B. Lekstrom (Chair): Well, good morning, everyone. My name is Blair Lekstrom. I'm the MLA for Peace River South, and I have the privilege of chairing the Select Standing Committee on Finance and Government Services. I would like to welcome everyone here today in the audience and thank you for taking time out of your busy schedule to come and present to our committee today.

We are tasked, as an all-party committee of the Legislative Assembly, to tour the province and listen to British Columbians and hear their input. Our job then is to take the information that we have heard at the public hearings, as well as review all of the written submissions and the on-line questionnaire, and to put together a report that has to be submitted to the Legislative Assembly no later than the 15th of November of this year. That report is then taken by the Minister of Finance and used as one tool in the development of next year's budget.

I have been part of this committee for four of the previous six years, and I'm very encouraged with the work of the committee over those years as well as the opportunities that we have been able to act on as a result of British Columbians coming and presenting to our committee. We've put forward recommendations in the report. It has been accepted in my time since 2001 by the Legislative Assembly and acted on unanimously. A number of the recommendations — not all, but a good number — have been acted on and have been included in the development of budgets in British Columbia.

As I indicated, we're an all-party committee made up of members from both sides of the House, both the B.C. Liberal and the B.C. New Democratic Party. Today the format we're going to use is that presenters will have 15 minutes to present to the committee. Usually the first ten are for the presentation, for the people to speak to the committee, and then if there's any clarification on anything that has arisen as a result of the presentation, members of the committee have the opportunity to ask questions of the presenter.

[1010]

As well as being able to present here, if you are talking to any of your colleagues out in the public and to friends, and if they would like to present to the committee but are unable to make any of the meetings, I encourage you to direct them to our website. They have the ability to go on line and put forward a written submission through that or answer the questionnaire.

As well, a householder will be going out, as the prebudget consultation paper you've seen on the back shelf will go to every household in British Columbia. We're hoping that we will have a good response from members of the public that way as well.

Prior to beginning and hearing from our first presenter, I would ask members of the committee — and I will start with Richard — to introduce themselves and the ridings they're from. Then we will begin our process here this morning.

R. Lee: Good morning. I'm Richard Lee, MLA for Burnaby North.

I. Black: Good morning. My name is Iain Black. I'm the MLA for Port Moody–Westwood.

R. Hawes: Randy Hawes, Maple Ridge–Mission.

D. Hayer: Good morning. Dave Hayer, MLA for Surrey–Tynehead.

B. Simpson: Bob Simpson, MLA for Cariboo North.

B. Ralston: Bruce Ralston, Surrey–Whalley.

H. Bloy: Harry Bloy of the riding of Burquitlam, home of Simon Fraser University.

B. Lekstrom (Chair): Also with us today is Jenny Kwan, who will join us shortly. She is tied up, I believe, on some business right now.

Also with us is Kate Ryan-Lloyd, our Committee Clerk, to my left, as well as Dorothy Jones, who is at the back table. When you walked in, you met Dorothy.

Each of our hearings is recorded and transcribed by our Hansard staff. Joining us today are Wendy Collisson and Adam Wang, who are over here to my left. As well, we are live on the Internet for all British Columbians, if they're unable to get out. I know they're keenly tuned in, I'm sure, to hear what takes place.

With that, I would like to begin our hearings here this morning. As our first presenter for this year's pre-budget consultation hearings, I will call on the Malaspina Faculty Association, Dominique Roelants.

Good morning, and welcome to the committee.

Presentations

D. Roelants: Good morning. Thanks for this opportunity.

Before I do a bit of introduction of myself, I'll just talk a bit about Malaspina University College. We have over 10,000 students at Malaspina. It's a very significant part of the economy here in Nanaimo. We serve students in the mid-Vancouver Island region. We offer degrees in a large number of disciplines, including the one that I teach, which is computer science.

The other jobs that I do at Malaspina. As you've mentioned, I am part of the Malaspina Faculty Association. I do student advising, and I'm also on the board of the college pension plan, which is the 75th-largest plan in Canada. Although I do different types of work here at Malaspina and the experiences I've had in my life will

colour the comments I make today, the presentation is made on behalf of the 600-member faculty association.

My presentation will cover two issues, both of which are relevant to ensuring that people in this province have the opportunity to succeed.

I've had the privilege of making a presentation to this committee back in November of 2000. There have been a few changes since then. In 2000 the cost of tuition to complete a four-year degree in computer science at Malaspina was just under \$6,000 total for the four years — about \$1,500 a year. The fees for that same four-year degree at Malaspina are now over \$14,300. Thus, in the past six years tuition has gone up by over 140 percent.

Some might argue that tuition was artificially low because there was a freeze put on tuition fees back in 1996. But still, in the past decade tuition has gone up by over 140 percent. Some might argue that the costs of living have gone up, and as such, the cost of tuition should go up. Well, the cost of living has gone up by 25 percent since 1996, and again, tuition has gone up by 140 percent in that same time. So clearly, the rise in tuition can't be explained just by inflation.

[1015]

That left me wanting to find another explanation. So I went to the Malaspina University College budget documents for the current fiscal year. They have an interesting table at the back page. Unfortunately, it didn't match that 1996 year. It might be because of when the current VP finance became VP finance. From the year he started to this year.... The amount of revenue that comes from government funding was 82 percent in 1981. In the 25 years since then it's dropped to 50 percent. So there has been a huge decrease in the public funding of Malaspina University College and around the system.

Some might argue that there's no need for the B.C. government to provide more money to public post-secondary education, that students will seek out post-secondary education regardless. Since writing this, I saw a news report about Alberta and the concern that some people have with people abandoning even high school because there are high-paying jobs. The comments that are being made are: "This is really bad long-term, because if the oil economy collapses in Alberta, all those people will be almost unemployable." The importance of making sure people are given the opportunity to complete their training is paramount. As such, I think it's important that we make sure students are given the opportunity to seek out and get the post-secondary education they need.

I'm going to go back to Alberta again because Alberta sort of followed the same pattern that we are in, in B.C. now. Between 1992 and 2002 in Alberta the oil economy actually started having some troubles. There were some significant cuts in public funding for post-secondary education in Alberta. The institutional response in Alberta was to dramatically increase tuition over the one decade from 1992 to 2002. Tuition at the University of Calgary rose by 130 percent, similar to what happened at Malaspina.

In a study done last year by the Office of Institutional Analysis at the University of Calgary, the authors found that the effects of those significant tuition fee increases were that a substantial and significant number of students from poorer families stopped coming, but people from more well-off families continued to come. The conclusion to be drawn from the study at the University of Calgary is matched by what I've seen at Malaspina: the rapid rise in tuition fees has resulted in a decline in access.

Some might wonder what the harm is here. Actually, the harm, if you look at the census data, is related to the life chances and the life circumstances of these people. According to 2001 census data, the average salary of a person with a degree was \$48,600, and the average salary for a person with a college diploma or trade certificate was about \$32,700. If you didn't go past high school, you were earning about \$25,000. So the effect of getting a university degree is substantive. The harm, therefore, is that people from poorer families will lose the opportunity to earn a degree, and that lost opportunity will cost them hundreds of thousands of dollars during their lives, and it will cost the B.C. government a large amount of tax revenue.

While the statistics prove the point that more government funding is needed and tuition fees must be reduced, I want to tell you about a few of the students that I've come to know while teaching at Malaspina. One of them has been — and is still — a student at Malaspina. He's going to be a student for far more than the usual four years, not because of a lack of ability but because that student has to work a large number of hours every week just to pay for tuition and living expenses. As such, he's only able to complete a few courses each year. It is likely he will take between eight and ten years to finish a degree.

Another student, an amazingly bright person, was able to actually work full-time and go to school full-time. Unfortunately, the consequences of him working full-time were that his grades suffered a bit, and he just missed receiving a Natural Sciences and Engineering Research Council post-graduate scholarship for graduate studies in his career.

A third student — again, a very bright woman — just left partway through third year. No explanation. As far I know, it was because she couldn't afford to come, because she started full-time and was progressing to fewer and fewer courses as tuition fees were going up. I suspect it's just because she couldn't afford to keep coming.

I wish these were rare events, but unfortunately, they're not. We're facing a skills shortage right now, and the cost of tuition is preventing us from solving that shortage. We're denying some of the best and brightest the opportunity to succeed.

Thirty years ago, when I was doing my first degree, tuition at Malaspina was \$200 a year. If tuition had risen at the rate of inflation, it would still be less than \$700 per year, as opposed to the \$3,500 that students have to pay.

[1020]

In the '60s and '70s the baby-boomers, such as myself — and I'm going to guess here, but some of you look like you're about my age — and you as well, would have benefited from that cheap education. I submit that our students, our children, deserve no less than that opportunity.

The other issue I want to turn to is the issue of social assistance. There are two significant ways in which social assistance policy prevents people from becoming self-reliant. The first is the fact that many people on social assistance are faced with the "choice" of collecting social assistance or upgrading their education. I submit that this is not a choice that recipients of social assistance should be required to make.

As I mentioned before, Census Canada data shows the effect of obtaining advanced education. That same data shows that the effect of completing high school is an increase of an annual income of 20 percent. If they go on and finish college, they get another 30 percent. The tax revenues from the increased income are sufficient to repay the initial cost of the social assistance payments. I submit, therefore, that if the government wants to reduce the burden on society associated with income assistance, the solution is to help the recipients upgrade their education in a meaningful way. Make upgrading fees free, and continue to provide assistance while the person is studying.

The second way which income assistance regulations make leaving social assistance more difficult is the policies regarding status as an income assistance recipient and regarding earning income while on social assistance. The regulations create a strong disincentive to accept unstable or part-time work.

In tax law there's a concept known as the marginal tax rate. In addition to being legislators, all of you have filled out a tax return. Thus, you have some idea what marginal tax rate means. For the average British Columbian the marginal tax rate is about 31 percent when you include both the federal and provincial taxes. Most people in B.C. believe the highest marginal tax rate in B.C. is paid by people earning over \$115,739. They think it's 43.7 percent. So that's the 29 percent the feds take, and the 14.7 percent the B.C. government takes. But people earning that much don't pay the highest marginal tax rate. Income assistance recipients do.

A person on income assistance who earns \$200 during the month doing a part-time job has that entire \$200 deducted from their next income assistance cheque. So what's the highest marginal tax rate in B.C.? It's 100 percent, and it's paid by the poorest amongst us. I submit that the government ought to revise the regulations to permit income assistance recipients to keep a significant percentage of the part-time income they receive. In this way, income assistance recipients will have a positive motivation for accepting part-time or unstable work.

While there are many other issues that need to be addressed, time prevents me from discussing them all. As a result, I've focused on what I believe are the most important issues. My focus can be summed up by a single word: opportunity. The mass majority of people

in B.C. want to be productive members of our society. We should not place obstacles in their way.

My recommendations to you are as follows. Reduce tuition fees to the levels, adjusted for inflation, that they were at in the 1970s, the fees that we all enjoyed — well, paid; maybe not enjoyed — when we were.... Correspondingly, a significant increase in the funding for public post-secondary education would be needed. We should make ABE tuition free. We should modify the social assistance rules to allow people to get the training they need to break the cycle of poverty while they receive social assistance. And we should modify the social assistance rules to provide positive incentives to find and accept work by, amongst other things, allowing social assistance recipients the right to keep a percentage of the money they earn.

Thank you for your time. If you have any questions, I'd be happy to answer them.

B. Lekstrom (Chair): Thank you very much, Dominique, for a well-prepared presentation to our committee here this morning. I'm going to look to members of the committee to see if they have any questions. I'll begin with Harry.

[1025]

H. Bloy: Thank you for your presentation, but there's a lot in here I don't agree with. There is a positive side to university education. I know we're not here to debate it, but I hear many great stories of students that work on a part-time basis, go to school and complete their degree. My daughter will do it in five years. She worked three jobs this summer. She wants to be independent. I hear from many, many people that go through.... You pick out the negative. I haven't seen.... Are you going to turn your salary back to the '70s? Your pension plan? You sit on the pension committee. You must be wanting to put a lot of that money back into education.

D. Roelants: If we adjusted all those things for inflation, I would be better off. I did those calculations.

H. Bloy: Yeah. I find the presentation challenging in that it speaks on the negatives and not on the positives.

B. Simpson: I'll engage you at the level of your presentation. My understanding as a newbie to this committee is that it's our intention to hear what you have to say and then roll that up into something that will be advice to government.

I come from industry. I worked in industry for a number of years as an internal training consultant. One of the struggles I always had was getting our management teams to see training and education as an investment rather than a cost. Throughout North America and in Europe there are companies who are beginning to play around with where they put the dollars on their balance sheet so that they can position it correctly.

I'm wondering if you've given any thought or if there's anything that you've come across about how you do that in the public domain. It seems to me that's the root problem we have here. We put it into the budget as a cost item when in fact it's not really. It's an investment in the future of our economy and, as you've indicated, an investment in future saved tax dollars if we can move people through the various degrees and professions and into higher levels of careers.

Any suggestion on how you actually make that more fundamental shift so that we can position it correctly?

D. Roelants: Unfortunately, I think what you're getting at is the idea of trying to value the human capital of B.C. I know that there's a chartered accountant coming up behind me, so he might have a better answer for that.

It is certainly something that is recognized in some countries in Europe. For instance, in Denmark they actually pay people to go to university. Not only do they have no tuition fees; they pay the people to go. So the first four years they don't have to worry about trading off maybe getting an "A" and not working or getting a "C plus" and working. That's one of the big disadvantages for people who end up working part-time, and that's why I used the example of the one student who missed the postgraduate research scholarship because of the amount of work they were doing. Sure, the guy got through, but he was disadvantaged as a result.

Grades are important. What you learn and what you lose in opportunity to learn because you can't focus on your studies is really important. So I think we need to make the opportunities available. It is recognized in other countries as a significant investment in the future. If you just look at the statistics from the federal government, Stats Canada, the impact is significant and positive for the economy and for tax revenues.

The theory would go along the lines of the following: if you make tuition reasonably cheap or, better yet, free, if you make tuition very inexpensive, those people will have a better chance of getting a degree, and they're going to pay more income tax in the long run. They're going to pay it all back and then a lot more.

So I don't think you should see my proposals as being negative in any way. This is a way to help the B.C. economy.

B. Simpson: Just a follow-up if I could.

B. Lekstrom (Chair): Quickly if we could. We have a number of other....

B. Simpson: Yeah, sure. The other question that I have in terms of targeting.... Again, you know, the point of this is to give advice to government. We have sort of the targeted for post-secondary education. I'm not as familiar with Malaspina as I am with the interior colleges. I know some of the struggle is how we fund the trades and technology, because if you do it on an

FTE basis and so on, the actual operating costs are much higher.

Has Malaspina got any issues around the targeting of the funds or directing funds or changing the funding formula to support various programs?

D. Roelants: I'm going to speak from my experience in computing. There are certainly problems with the past way that decisions were made about how much a funded FTE was worth. Some programs are substantively more expensive, as you're recognizing with the trades. But computing, biology, the sciences are all like that as well.

[1030]

You have to look at what the cost is going to be for adding the new spaces in the areas that we need space added. We wouldn't have an objection to that kind of funding targeting. It's probably quite needed. But make sure that it pays what it needs to, as opposed to just saying: "Produce these FTEs, but don't provide the resources to do it."

B. Lekstrom (Chair): I have three more members wishing to ask questions. If I could ask them to keep them short.... We are going to try and keep to a schedule here.

D. Hayer: Thank you very much for a very good presentation — a detailed presentation.

Back in 1999 to 2001 I was a director of Kwantlen University College, and I currently have three kids in post-secondary: one at Kwantlen and one at SFU, and one is going to go to another institution.

I remember that because tuition fees were frozen, we had challenges providing enough classes. Government wouldn't give us more money, so we kept cutting down the number of classes, and kids ended up taking longer to complete. I used to always raise this question to our board. I'd say: "Can we go out and get some funding from somebody else?" They'd say: "No. The government will not allow it."

Then we came in, in 2001 — later on — in government. We've sort of since added 25 new spaces — by 2010. I know that Cloverdale is putting in a new information technology centre. Do you think it is a good idea to add 25,000 more spaces to post-secondary education by 2010?

D. Roelants: I definitely think it's a good idea to provide more opportunities for education. Statistics show how that benefits both the individual and society as a whole.

I would say that there's got to be a balance here. I think what you're getting at is the tuition fees freeze. Some people said that the fee freeze caused a funding shortfall that meant that you couldn't put on as many classes. That was a problem. We appear to have solved that problem by creating a different problem, which is that now a whole bunch of people just can't afford to go. Alternatively, they can say: "Okay, I can take a \$10-an-hour job here, or I can take out thousands of dollars

in debt to go to school." So they make the "choice" to not go to school. When the economy suffers a bit, they're going to hurt real bad.

There has got to be some kind of trade-off here. I would submit that given the amount of money that seems to be available now because of budget surpluses, now is the time to say: "Okay, we need to offer those 25,000 spaces. We need to pay for them, and we need to actually adjust tuition fees so that students will be able to use them."

B. Lekstrom (Chair): Dominique, I know there are other questions, but our time is quickly passing by. I know it is an issue that, as with every presenter, we could spend a considerable amount of time on.

I'm going to ask Randy and Iain if it's okay if we do move on, on our presentations.

I would like to ask you.... Certainly, you put some thought into your presentation and ideas as to where you would like to see some additional money. One of the issues that we look at is choices, whether it's in government or at the universities or colleges or in our home life. Have you put any thought into the issue of...? If we were to be able to accomplish some of your recommendations here, where would you draw that money from? Where would we take it from, versus strictly the surplus that we're talking about? There is additional money there. A fluctuation in natural gas price.... I think it's become clear. I think we're about \$700 million different right now from where we were at \$8 to \$6 gas.

Have you put some thought into that as to, if we could accomplish this, where we might draw from in other ministries or other areas that we spend money on? Did you put your mind to that?

D. Roelants: The answer is going to seem like it's evading the question, and I'm sorry for that. That's not the intent. The reason that I focused on the long-term impact of education on the incomes of British Columbians and on the economy in general is that to think about this as merely an operating expense is perhaps not the best way to think about it, because it is something that is going to produce more in the long run than it is going to cost. Instead of just thinking of this as an operating expense, think about it as an investment, because that's what it is.

There are other ministries where it is arguable that it is not an investment. It's more an operating expense. In terms of trying to position people to get degrees, to be able to earn a substantively higher income, it really is an investment. It's got to be thought of in that way.

I apologize for appearing to evade the question, but I think you need to think of this expenditure as an investment.

[1035]

B. Lekstrom (Chair): Dominique, I want to thank you again for taking the time. You are the first presenter to the committee this year, and it was certainly a

well-thought-out and well-prepared presentation to us. I thank you for your input.

D. Roelants: Thanks very much for your time.

B. Lekstrom (Chair): We'll move on to our second presentation this morning, which is from Tyce Carle-Thiesson Chartered Accountants. Joining us is Doug Tyce. Welcome to the committee.

D. Tyce: Thank you. It's my first time making a presentation, so we'll see how I do.

B. Lekstrom (Chair): You'll do great.

D. Tyce: I'm a chartered accountant here in Nanaimo. I'm also quite involved in the community with the chamber of commerce, and I represent various business organizations. At our firm here in Nanaimo we employ 12 individuals, and we service the whole of British Columbia in my accounting practice.

I appreciate the opportunity to speak with you today. I believe that the annual consultation process is a great way for the public to present opinions and views for the upcoming provincial budget.

I'd like to start by congratulating the government on its recent fiscal successes. The latest quarterly report shows a growing surplus, stronger-than-expected economic growth and a declining debt-to-GDP ratio. This is welcome news and a dramatic turnaround from just a few years ago. The quarterly report also shows conservative growth projections for B.C. in the next few years, which is very prudent, considering the risks associated with the U.S. economy.

There is no doubt that the B.C. economy is doing very well. We see this in Nanaimo, where business incorporations are up over previous years and bankruptcies are down. Housing starts continue to be very strong. It's a welcome turnaround from a few years back. Overall, things seem to be moving along quite well. People are speaking with their feet. What that means is that our population in Nanaimo is steadily ahead of the provincial average. That's the growth rate, and that's a great sign for us here locally.

In terms of recommendations, I'd like to focus my comments on taxation policy. First, I'd like to say that the government has done a great job in keeping our tax rates competitive with the other provinces. Our personal and business tax levels are now among the lowest in Canada, which helps attract people and investment. The government's decision to reduce the general corporate income tax rate last year was a good decision, especially considering the Alberta government's commitment to low business taxation levels.

I would urge the government to continue monitoring Alberta's business tax rates to ensure that British Columbia's rate remains competitive. The Alberta government, for example, has pledged to reduce its corporate rate to 8 percent. Although no time line has been announced for that implementation, we need to continue to monitor that. B.C.'s corporate rate will become

a problem for the investment climate if we have a rate that is a full 4 percentage points higher than our closest neighbour.

We need to maintain a competitive edge with Alberta. For instance, that's our closest province, and we see a lot of competition with businesses relocating their head offices to Calgary and Edmonton.

In regards to the taxation policies, you'll note that Alberta has no provincial sales tax. As an accountant I hear that all the time from people: "I want to go to Alberta and buy a truck." They don't realize they still have to pay sales tax here, but there's a real advantage in Alberta for business operations when you look at their cost of doing business, strictly from their corporate tax and sales tax issues. From a business perspective, this also means that B.C. companies spend additional time relative to our Alberta counterparts collecting and remitting provincial sales tax. What that means is that there are a lot of administrative costs, and I'll cover that in a minute.

One solution would be to have a harmonization of the provincial sales tax with the federal goods and services tax. Currently B.C. businesses require separate recordkeeping, reporting and remittances for the GST and PST, creating unnecessary costs for accounting and administration. In addition, businesses deal with two sets of auditors enforcing compliance at the federal and provincial levels. I would recommend that the B.C. government at least study the issue, determine the cost benefits and learn from what has been done in other jurisdictions. Back east, they've harmonized the sales tax to eliminate a lot of inefficiencies in the system.

[1040]

In closing, I believe that the provincial government's fiscal and economic policies are on the right track, but we must be aware of and prepared for competitive pressures, particularly in regard to taxation policy. Thanks for this opportunity, and I welcome any questions.

B. Lekstrom (Chair): Thank you very much, Doug. I'm going to look to members of the committee to see if they have any questions regarding your presentation here this morning.

B. Ralston: Are you recommending a reduction in the sales tax here provincially?

D. Tyce: I'm not necessarily recommending a reduction in the sales tax in this presentation. What I'm recommending is that there be a harmonization, certainly with an objective of reducing our sales tax. Alberta has no sales tax.

Step back. It would be great to eliminate our sales tax altogether. It would allow us to be more competitive with Alberta from a business point of view. As well, it would eliminate the administration and the inefficiencies created for businesses and our economy in administering that sales tax.

H. Bloy: Minister Thorpe, who is Minister of Small Business and Revenue, has been touring the province over the last year, and there's a review underway right now for the provincial sales tax. But the concern from small and medium business has been heard from five years ago when I first sat on this committee in regard to the provincial sales tax and all the regulations tied to it versus the GST. So they're working on a review right now.

D. Tyce: That's great. We ask that you continue to look at that.

H. Bloy: If you want to make a presentation or send.... I'll send a copy of your report to them.

D. Tyce: That would be great.

B. Simpson: Two questions. One, our caucus committee had a presentation from some of the boards of trade and B.C. Business Council, etc. We had quite a substantive discussion about the merits of using Alberta as our benchmark, because the structures of the economies are so very different. The flows to government are so very different. I believe it was Jock Finlayson — he'll kill me if I'm misquoting him, but I'm pretty sure it was him — who indicated that it may be a foolish measure for British Columbia, because our economy is structured so differently. Yet what flavours your presentation is that that should be our benchmark.

Given the concerns that our economies are quite different and, in particular, that our number-one economy in this province is still the forest industry, which is kind of teetering right now, is it fair to continue to have Alberta as the benchmark for corporate tax rates?

D. Tyce: I think to a large degree it is. They're both natural resources. They're in the oil business; we're in the forestry business. Certainly, we've got other natural resources.

What you're looking at, purely from a business point of view, is location of head offices and this type of thing, and attracting business to B.C. — trying to attract those high-paying jobs and maintaining competitiveness, whether it be the computer sciences or computer programming, for instance. Companies will locate from the United States to low-tax jurisdictions for their employees.

There's lots more to it. It's just comparing ourselves to Alberta in that those are the corporate tax rates that are available. It's something that would attract a business to our economy.

I think Alberta is showing us what they can do. Of course, they have huge oil revenues, which are stimulating that economy, but we have to continue to strive to be competitive. We have lost lots of jobs and business opportunities to Alberta. I don't think we should just give up and say we're not the same as them.

B. Simpson: Just a quick follow-up on overall competitiveness. I mean, that's quite the buzzword. If you look at the province over the last number of years, we have statistics coming forward about rates of homelessness, child poverty — things like that. Recently in both Vancouver and Victoria we've had convention cancellations as a result of things that are happening on the street.

Where does competitiveness stop — where it makes sense from a social policy, progressive society perspective — and where does it start on a very slippery slope?

D. Tyce: If you're asking how you cut taxes and still fund social programs, I think it's been proven time and time again — and recently in British Columbia — that the reduction of taxes has helped stimulate the economy, which should provide you with more resources to fund programs.

[1045]

B. Lekstrom (Chair): Doug, I want to thank you again for taking time out of your day to come and present to our committee. As with every presenter we will hear from, as well as the written submissions and the on-line ones, they will be given full consideration in the development of our report.

D. Tyce: Great. Thanks very much.

B. Lekstrom (Chair): Our next presentation this morning comes to us from Willow WAI, Haven Society, and joining us are Mike Hunter, Jane Templeman and Gordon Cote. Good morning, and welcome to the committee.

M. Hunter: Thank you, Mr. Chair and members. I would like first of all to welcome the committee to Nanaimo. What you find in Nanaimo is a vibrant and — as I hope you will understand from our presentation this morning — in the area of social policy, innovative community.

I'm going to ask Jane and Gord to speak to our brief, to let you know what the Willow WAI project is and what some of its challenges are. Before we start, I want to say that some of these immediate challenges revolve around federal funding for the program, but it's an area where we think there are such positive results from innovative programming that the province needs to pay attention to what's going on here, with the hope that in the longer term we can come up with a strategy that will allow the province to be partners in this program.

I'm going to turn it over to Jane and Gord now. I'll finish off the presentation when they're done.

J. Templeman: The Willow WAI project is a three-way partnership between NARSF Programs, Haven Society and the Vancouver Island Health Authority. Basically, the contracts run through Haven Society.

The objective of the program is to house and support people who are homeless or who are at risk of

homelessness, and we've been doing that in sort of a three-tiered model. Two of the tiers involve providing housing to women and children who are homeless, most of them involved in the sex trade. They're able to live in three rented homes. The second part of the program is that they participate in a day integrated life skills development program.

The wraparound initiative is the third piece of the program, and that is a case management program that any individual at risk of homelessness in the Nanaimo area can apply to. They put together a support team, and with minimum flexible funds they're able to secure their own stable market and independent housing. We'll speak to some of the successes in the achievement of that program in a few minutes.

The program has been funded over the last three years through the federal government national homelessness initiative — the supporting communities partnership, or SCPI program. I'm going to ask Gord to speak to some of the challenges we're facing with that funding envelope.

G. Cote: Back in 2002, I believe, we were successful in putting together a partnership proposal that looked at this program. To a great extent what has become clear to us is that the federal initiative, though laudable, has not been sustainable in our community. We're at the brink of having to make some decisions shortly around the long-term nature of this program. From that perspective, we're coming to you to consider this innovative program of partnership and the results it garners for its clients in accessing housing in the Nanaimo community for a recommendation in the upcoming year in terms of budget preparation.

Part of the issue with the federal role right now is that with the new government, it's unclear as to whether there will be a renewal of the federal national homelessness strategy. Aside from our program, which is sponsored by the supporting communities partnership initiative, it's also going to be a problem for many other communities in British Columbia and right across the country.

[1050]

What I'd like to speak to today is the perspective that it is this partnership and our work with businesses, the city of Nanaimo and other partners that has actually added value to the project and its costs associated with that. In terms of building a bricks-and-mortar approach, we have been very successful in making gains. However, this is something that deserves a long-term perspective as opposed to something that's renewed on a three-year basis. Currently the impacts of differences that result from this program are significant.

Did we include stats for the committee to review? We'd certainly like to draw attention to those in that sense.

J. Templeman: Just let me attach the brief. You've got a few appendices, but let me just highlight a few of our stats. This program is providing on-the-ground

solutions. It's working. It's a tremendous best-practices model. Let me share with you some of the successes.

The wraparound initiative has housed 150 individuals and families in the last two years. Those are 150 individuals who could be on the street today without the wraparound initiative. The cost per family or per individual to do that is \$1,262. There's nowhere in this province where a better \$1,262 investment is going to secure a family in housing.

What that does is buy beds. It buys, perhaps, a damage deposit. It might settle an outdated hydro bill. It moves a family that's at risk of homelessness into stable market housing. Some 72 percent, or 108 of those people, have maintained that stable housing over time — a tremendous outcome and very cost-effective.

In the housing and day program we've been able to house 55 women and children over the last two years. We're currently housing 11 women and children, and 35 women have graduated. Of those 35 women, 88 percent have gone on to maintain independence — go to school, get employment, maintain their housing — and have not returned to homelessness or street involvement. Again, tremendous outcomes.

This program works. We've got an amazing example here in Nanaimo of the community working together to make it happen. I think the message of hope we bring is that housing and homelessness, with some supports, allow people the opportunity to move forward. Our challenge is: how do we maintain and keep this program going?

Mike was going to speak to what we'd like to see this committee consider. I'll turn it over to Mike.

M. Hunter: I know that some of my former colleagues will wonder: what on earth is Hunter doing on this kind of issue? It's the statistics that Jane just presented to you — the success of this program as an alternative to emergency shelters or worse — that brought me to the table to get involved in trying to find some secure way of funding this program.

It is innovative. Every level of government recognizes that there are challenges around homelessness. There are no simple answers. You know that; we know that. So when you have examples that work, like this one does, it seems to me that we in British Columbia would be sensible if we could take note of it and start to think about how we can make it sustainable.

Jane and Gord and I have been working on this issue for the past year. I can tell you that the Minister Responsible for Housing, Minister Coleman... We're working with his staff on the province taking over the bricks and mortar, the housing facilities that are used by Willow WAI. That would represent a contribution of about \$60,000 a year to a budget which is somewhere north of \$360,000.

The community is providing \$60,000 worth of contribution through Haven Society. Haven runs the women's shelter here in town. The Haven Society board has taken \$60,000 of what it raises from the private sector — corporate and private contributions —

and allocated it to this program. So the program has community support.

The weak link in the chain, if you like, is that the federal government has been the funder of substance for this program, and we are very uncertain about what the future of federal funding will be. We believe at the moment that this program is funded through to January 2007. That's not very long from now if you're thinking about what you are going to do with staff and notices and clients and all those kind of things.

We're approaching the committee and urging that the Minister of Finance take a look at this program as an example of something not necessarily for the province to fund on its own but as a model that the Minister of Children and Family Development can work on, with his federal counterpart, to push through some reforms. I think British Columbia should be pushing on the feds to make sure that programs such as this are funded.

[1055]

Mr. Chair, I want to make clear to members that we will be working over the next few weeks with the Minister of Finance and with Minister Christensen to review with them and make sure that they understand what's happening at the federal level. If the feds come through with funding, fine, but I think we need a push from British Columbia to do that.

For the budget year which you are now considering, '07-08, we would like you to think about a recommendation that, in terms of social policy development in British Columbia, this is a program that the Minister of Finance should take a look at.

I want to say to you that we raised these issues with the committee in 2005. There were very few members present that day when Jane and I came to Victoria, because I think you'd had an all-night debate on some education matter. Having said that, we were a little disappointed this issue didn't really appear in any way in the report, and we'd like to ask respectfully that you do pay attention. It's not very often you get documented successes in social programs of the kind that we're relating to you today.

We think the program is important, certainly in our community. We think the possibility of replicating it around the province is considerable, but it's only going to happen if the province works with the federal government to make sure resources are in place from governments to supplement what we're raising in our community to make it work.

As a final note, I want to tell you that one of the other hats I wear is as a director of a local agency that helps youth in Nanaimo. Two young women, last night at our annual general meeting, talked about their experience.

These two young women were cousins, actually, who had kind of lost their way at the end of high school, gone to Vancouver, couldn't make it and came home without a penny to their name. In one case there was a family dispute that meant this young woman was on the street. She was put in touch with the wrap-around initiative. She got about \$1,200 that cleared a

back hydro bill and paid the damage deposit on a rental unit. She was helped to get a job.

There are two young women who are making something of their lives through this program. It kind of brought it home to me, in advance of this presentation to you, that we are actually affecting people's lives in significant numbers here in Nanaimo. We think this has got a lot of value. Thank you for your time.

B. Lekstrom (Chair): Well, thank you very much for your presentation.

I'm going to look to members of the committee if they have questions.

R. Lee: B.C. Housing. They have programs for social assistance and main housing. If you compare your model to the B.C. Housing model, are there any opportunities to increase the efficiency of programs?

M. Hunter: Well, my view, Mr. Lee, would be yes. I mean, this is a bit of a different model. As far as we know, it's unique in the province. B.C. Housing's potential involvement is to buy or lease on a long-term basis the houses in which women live. Right now, those rents are being paid from the SCPI money that's been made available from the feds, so that's a possible contribution.

The problem that B.C. Housing has in this case is: "Well, if we buy these three houses or long-term lease them and then the operating funds disappear, we've got three houses in Nanaimo. What are we going to do with them?" Well, I'm sure they'll find something to do with them, but if you're a minister or an official, you have to ask the question: how responsible is it to put this taxpayers' money out for a use we're not quite sure about?

This is one of those programs that don't quite fit, it seems, any existing government model. I have to say that B.C. Housing has been very helpful and supportive. Jane has been working in detail with them on this potential purchase or lease, but it hasn't happened yet.

I. Black: First of all, let me start by saying thank you for your presentation and congratulations on the success of your program. That was a very compelling presentation. The numbers are there, and the focus of it is phenomenal.

I think the part that perhaps impressed me the most beyond the numerical results is the integration of your approach. I think what you're seeing right now — which I'm personally finding very encouraging — within ministries, both formally and informally, is a focus, especially in areas of social programs, where the government is stepping up to really look at how we can integrate better, because creating our own silos creates problems that ultimately end up on the streets. My congratulations to you for that and for leading the way. Hopefully, we can learn a thing or two from what you've been doing.

You touched on the housing strategy of the province. Expenditures in that area have gone up about 70 percent over the last five years, so clearly the money is being spent. You're showing us an example of how it can be spent really, really well when integrated with other approaches, but my question vis-à-vis this committee is really to get clarity.

Are you suggesting that currently spent money be diverted differently? Are you suggesting that additional funds get allocated in this area? That part of it wasn't really clear to me from your remarks, and that's why I kind of combined it with that integrated element to my remarks. Could you comment on that?

M. Hunter: I can, Mr. Black. I think we were deliberately vague on the question you asked because we know that underneath the SCPI funding made available to British Columbia, if all the projects are orphaned — i.e., if that program dies and the projects die — there are many more dollars at stake than we're talking about here today.

We could have come to you and said: "Please ask the minister to put in the budget for next year — pick a number — \$300,000 that will pay for this program." Well, you're going to have people from every one of your ridings and many others who are saying: "Well, you know, me too."

I guess I'd put two foci on this. One is that we need a minister, and probably the Minister of Children and Family Development is the person because he has the closest relationships with the Minister of Housing in Ottawa. Somebody needs to be the flag-bearer for British Columbia on this. Minister Hagen was starting to take that role before he was moved in the recent cabinet shuffle, so we're going to be asking Minister Christensen to pick up that baton with Ottawa.

The second focus would be if there is some room to take existing funding and look at the success of this program and say: "Well, this pilot has proven itself. British Columbia needs to wrap its arms around it, within existing funding envelopes." That would be fine too. But it raises all kinds of questions. Should British Columbia be taking responsibility for housing from existing federal programs?

That's beyond my capability. All I'm saying to you is that we would like this issue to get to the attention of the Minister of Finance, the Minister of Children and Family Development and whoever else — all your caucus colleagues. We've got a winning program here. Let's not let it disappear.

J. Templeman: Can I just add to that from the perspective of trying to deliver this service? It's speaking to the jurisdictional dispute — federal, provincial, and I'm going to throw municipal in there. My sense of it is that the federal government has taken a very narrow time frame to look at homelessness. In our read of it, every 18 months we've been back at an application process. It's not the way to deliver good programming.

With the current federal government, the concern is that they're not going to pursue and renew the national

homelessness initiative. Potentially across the country there are many thousands of people that are now being helped, who are going to be homeless. In the context of homelessness being on the increase, if those resources are pulled out, the problem is going to exacerbate itself overnight come April 1.

For us, we're going to be having to put potentially a hundred people on the street starting at the end of January. We're going to be in a worse situation four and six months from now.

My sense of it and my wish list would be to say that we need the federal government to commit long term, for the provincial government to join in that jurisdiction to say it is now also a provincial thing we need to look at, and for the municipalities to get on board and say: "We need a ten- or 20-year plan here to look at how we're going to house people into the future." Basically, this stems from a lack of investment in social housing, and it stems from a lack of investment in increasing social assistance rates. Those two things need to go hand in hand.

My desire would be to see all three levels of government come together in a 20-year plan. This can be licked. Homelessness does not have to exist in the Canadian context.

We can change this around with the investment in social housing, social assistance and integrated community programming that helps move people forward and not simply recycles them from shelter to jail to street to shelter to jail to street. We can stop that cycle.

People can be housed, people can move forward, and people can maintain independence with these kinds of investments. But I believe it's going to take all three levels of government working together to redesign those silos in a way that.... I need your help to do that.

[1105]

J. Kwan: Thank you for that last response. It actually answers some of the questions that I have. But just to be clear, on this particular proposal your documentation shows that your source of revenue from the federal government is \$670,000, but you're requesting external funding of \$300,000. Am I reading that correctly?

J. Templeman: Yeah. The \$300,000 is annualized. That larger figure has been since October 2004, so that's been the total amount, but it breaks down into those monthly amounts.

J. Kwan: Oh, I see. Thank you for that clarity.

Also, just before I got on the plane today to come here, I was reading again — refreshing my own memory — about the homelessness count, which of course was done in the Greater Vancouver area. It showed that from 2002 to 2005, homelessness in the Greater Vancouver area has more than doubled and that the significant issues centred around people with multiple challenges. Whether it be addictions or mental illnesses, all of that centred around the issue of income — and the lack of income — and housing costs, so the issue of welfare

rates and the inability for people to get on income assistance became part of that problem.

Of course, the working poor, if you will — people who earn very little money — also created problems in terms of housing. Then, finally, women, particularly women with children, were finding themselves in a situation of being homeless because of violence in the home and other related matters.

I'm wondering: has there been work done in terms of trying to get the fullest sense of what the homelessness situation is in Nanaimo in terms of, potentially, a homelessness count? What is your shelter situation looking like? I know that in your particular situation, your presentation talks about a short wait-list, although a wait-list.

What about for the other shelters? Do you have any sense of what the overall picture looks like and, therefore, of the question around an overall strategy that needs federal, provincial and municipal partnerships, along with the community?

J. Templeman: One of the benefits of the national homelessness initiative has been the formation, in SCPI communities, of working groups. John Horn will be presenting to you in a few minutes from the perspective of the Working Group on Homelessness Issues here in Nanaimo. One of the outcomes of that has been that we are working together as a community — with private, non-profit, city and provincial input — to address the issues here in Nanaimo.

We have funded about three or four projects. We are working to increase the capacity in our shelters here in Nanaimo, but it is in the context of homelessness, over the last three years, probably doubling each of those years. We're about to release a new homeless count, and I can't pre-empt that, but we do know that at our last count about 150 people seemed to be homeless in April 2005, and we're expecting that number to double.

M. Hunter: Could I just add a very, very brief response to Ms. Kwan's question? I could probably sit here and debate with you for a long time some of the things you raised, because you and I have, maybe, some different views on that.

What this program brings, and what I think we need to acknowledge, is that it doesn't judge anybody. It says: "You've got a problem? Here's a community-based resource — programs that will help you get on your way."

That's what attracted me to this. I can't answer the issues of homelessness on a global basis, but I'm working with this program because I see that 88 percent of the people who come to the program and who are at risk of homelessness are able to get on with their lives in a positive way. I don't know who these people are, but to me, that is the telling issue.

The debate about how homelessness is caused and what its root causes are can take place outside of this particular discussion. What you've got here is a piece that works in Nanaimo and could work elsewhere. We

can't afford to let it close its doors on January 7, 2007. That's my point.

B. Lekstrom (Chair): With that, we are over time, and as I indicated earlier, I'm sure we could spend an hour with each presenter, having a great discussion.

Jane, Mike and Gordon, I want to thank you for your presentation here to the committee this morning. It will be given due consideration in the development of our report. You mentioned earlier that last year's report.... It wasn't encapsulated in that. Certainly, it is difficult. When we go through thousands of presentations, whether they're oral or written to us, we try and accommodate that.

Our next group to present to the committee this morning is a Nanaimo arts group. Joining us are Lynne Fraser, Sandra Thomson and Debbie Trueman.

Good morning, and welcome to the committee.

[1110]

L. Fraser: I thank you for coming to Nanaimo and giving the citizens of our community an opportunity to provide input to the 2007 provincial budget. I'm pleased to introduce — to my left, to your right — Sandra Thomson, who is the director of programming and development of the Port Theatre, and to my right is Debbie Trueman, who is the chair of the B.C. Museums Association as well as the general manager for the Nanaimo Museum.

My name is Lynne Fraser, and I'm here to speak on behalf of the people of our region who benefit from arts and cultural activities. Some of them are here today.

Could I ask the folks who are here to support arts and culture to stand, please?

B. Lekstrom (Chair): Well, you brought quite a group, didn't you?

L. Fraser: Thank you all very much for coming.

My background is in banking, and I've recently retired from Coastal Community Credit Union, a \$1.2 billion financial cooperative serving residents of Vancouver Island. I served as a senior vice-president of finance, and in that role, I was responsible for treasury, accounting, budgeting and vest management functions. For several years I also led the community investment team, and I was responsible for allocating funds to community groups for programs and events.

I've lived in Nanaimo for almost 20 years, and I've been an active volunteer with a number of non-profit and community groups, including the sea cadets, TheatreOne, Arts Alive, Nanaimo Family Life, Literacy Nanaimo and the economic development group. At home my husband and I have cared for special needs children since the early '90s.

I participated in drafting the cultural strategy for our city, and the community has been kind enough to recognize my efforts on a number of occasions. I'm here to talk about the people in our region who are not benefiting from the arts because they do not have access to the programs that could improve their lives.

Today I want to talk about how the arts contribute to the third goal of the government's strategic plan — that is, supporting those with special needs, children at risk and seniors. In Nanaimo creativity connects seniors, children at risk and people with special needs to their community. The following are quotes in response to outings at our beautiful Port Theatre.

"At the Rain concert I saw people of ages between seven and 70, all singing, clapping, dancing and thoroughly having a great evening together. It was wonderful to see the generations come together."

Julianne Parker.

"It was very heartwarming to see the delighted expressions on our clients' faces when they returned from watching the play. Thank you for bringing much enjoyment to people living with developmental disabilities. We think you truly are angels."

Nanaimo Association for Community Living, actions day program.

Finally:

"On behalf of Nanaimo Citizen Advocacy Association, we would like to express our appreciation for the provision of complimentary Theatre Angel tickets to performances at the Port Theatre. Our citizens outreach program works with disabled adults, enabling them to enjoy everyday experiences that they would not otherwise have the opportunity to participate in.

"We sincerely appreciate the generosity of tickets donated to the marginalized people we serve. We hope that we may continue to be recipients of these tickets in the future, as they are a wonderful asset that ensures continued inclusion and enriching experiences for our clients."

Dr. George McGladrey, executive director.

There is significant research that makes the link between arts and connecting those that are most vulnerable in society to their communities. The arts do this by engaging an aging population and making elders more active and vital. The arts are also a critical element of mental health treatment.

In a report called *Round Table on Music and Medicine*, Dalia Gottlieb-Tanaka from the Institute of Health Promotion Research at UBC says that the arts can boost the mood of people with dementia and allow them to turn disabilities into opportunities. She also says she believes that the desire to be creative does not diminish as people age, even when they suffer from dementia.

The national arts and youth demonstration project is a three-year study of 183 youths from lower-income and multicultural communities conducted by McGill University. The study found that children and youth living in lower-income communities have little or no access to arts programs because of cost and transportation issues.

[1115]

Once these barriers have been overcome by providing materials, programs, transportation and snacks free of charge, the researchers were able to measure the direct and indirect outcomes of the participants. The children showed uniform improvement in participation, skill development, task completion and post-social behaviour. Significantly, boys who participated showed a marked decrease in conduct and behavioral

problems, and emotional problems significantly decreased for both boys and girls.

Overall, the study found that structured, cumulative and high-quality arts programming has a positive impact on children from low-income homes. We found in our home that classical music has helped the children with ADHD focus on their studies, and also, music allowed an autistic child to have a voice. When he couldn't say what he wanted to, he used lyrics from songs to communicate with us. It's hard to answer that.

A Russian artist wrote that art is part of the ecology of the human soul and that a child's soul is not shaped by the scientific fact that the Earth is round but by the wonder and delight at its infinite and varied possibilities. So do we want to pay for kids to have high-quality, structured arts instruction, or do we want to pay for the social problems they may have later in life? Let's save the taxpayers some money. Paint and dance lessons are cheaper than operating drug treatment programs and jails.

How does it work? Well, providing opportunities for youth to participate in the arts reduces youth violence and substance abuse by fostering self-esteem, self-reliance and resilience.

In Edmonton there's a program called iHuman. It aims to reintegrate youth at risk by giving them access to various forms of artistic expression. In a recent newspaper article two of the youth involved in an iHuman theatre project called *The Bridge*, said this about their experience: "Until I got involved in *The Bridge*, the only things I'd ever completed were jail sentences and time in treatment centres."

Fellow artist Randy Shuster nods in agreement. A former street kid who teetered on the brink for seven years, Shuster admits he originally joined the cast to work off his community service hours. It didn't take long, however, for the beatboxer known as MC Noisy to become an active, deeply committed part of the creative team.

The article goes on to say that there's no question that without access to music and art studio space and without help with immediate concerns — like hunger, for example — the young people in *The Bridge* probably wouldn't be gearing up to take the stage this week. Still, all seem to agree that it was the creative urge in every one of them that got them back on the straight and narrow and into rehearsal. Unfortunately, there are no programs like these available to the youth in my community today.

In order for our communities to reap the benefits the arts provide, we must invest in stable and adequate core funding for the arts. Currently the only agency providing this important core funding in British Columbia is the B.C. Arts Council, and it is woefully underfunded.

You will be hearing an important message from many people in many communities and from many walks of life, both in person and in writing, throughout your consultation. We are united under the name Arts Future B.C., and we represent thousands of people in hundreds of communities across the province

who are making this request. To ensure an adequate investment in sustainable communities throughout British Columbia, we request all-party support for significantly increased investment in arts and culture through the British Columbia Arts Council in the 2007-2009 budgets.

Arts and culture are not a frill or an afterthought. They are a key element to bringing social and economic benefit to a community. Prof. Luigi Sacco, an economist at the University of Venice, says: "Modern economics, at least in the West, is no longer limited to the allocation of scarce resources." Now economics is focused more on individual and cultural identity. This is a time when arts and culture are potent new drivers in our economy.

An article published by the Institute for Research on Public Policy Canada says: "In Canada and elsewhere in the world the arts and culture have moved away from a position of marginality to being at the core of the new economic development strategies."

The vice-chair of the Canada Council for the Arts, Simon Brault, traces the evolution and notes that Canada has greatly increased its support of cultural industries whose economic spinoffs are estimated to be \$26 billion. In spite of this, he writes, Canada is moving timidly in this field. We are still locked in a restrictive mode that is preventing us from taking full advantage of the potential of the arts and culture, which are incredible vectors of creativity, the principle driver of economic and social growth.

He recommends a new cultural approach that will allow us to make imaginative and promising links between education and culture, between health and culture, between citizenship and culture, and between economic development and culture. Locally the economic development group, comprised of community leaders working in conjunction with the city of Nanaimo, has identified arts and culture as an economic driver — that is, an industry that will generate new and sustainable wealth.

[1120]

Under this goal, our strategy says, the region's economic drivers are in transition. Traditional resource-based sectors are not expected to grow significantly, but new growth industries are emerging. Building on the skills and experience of the local labour force, Nanaimo wants to position itself as a centre for knowledge-based businesses, film and video production, tourism, arts and culture, and manufacturing.

In your report to the Minister of Finance please ensure that substantially increased funding to the arts through the B.C. Arts Council is a central and key message. Increasing access to arts and cultural programs for some of our most vulnerable citizens will reap important economic and social returns to communities like Nanaimo.

Thank you so much for hearing our presentation.

B. Lekstrom (Chair): Thank you very much for your presentation to our committee — again, very well thought out and well presented.

I'm going to look to members of the committee for questions.

B. Simpson: It was a great presentation and a good overview of the range that arts and culture play in our society. I'm a part-time thespian.

Your presentation, I think, explicitly states what it is you want to achieve. What I'm interested in is the venue for doing that through the British Columbia Arts Council. You've talked at length about art's role in giving people who are in the vulnerable categories an opportunity to be more creative and to move into the so-called mainstream.

I'm not familiar with how the British Columbia Arts Council works. If funding went there, how does it work in terms of rural communities? That's where I come from. And how is it distributed? Secondly, is it explicitly targeted when it goes there for certain categories of funding?

S. Thomson: I can respond to that. The B.C. Arts Council does fund community-based activity throughout the province, both professional and non-professional. I'm sorry; what riding are you from?

B. Simpson: Cariboo North, so it's the central interior.

S. Thomson: The arts organizations there — professional art galleries, museums, heritage sites — would be receiving funding from the B.C. Arts Council. They can provide these kinds of innovative programs if they have funding for additional staff that can do this kind of community outreach. All of these community creative groups have the desire to do this kind of work with seniors and at-risk populations, but no one has had the stable and ongoing support to do it.

In addition, especially in rural areas, the non-profit community-based groups, which often do not have professional staff, are the community arts councils. Many of them have very innovative programs that they're delivering in their community. Again, they're underresourced. They lack facilities, and they don't have the.... Even if the materials budget could be provided, they could get volunteers to deliver the work.

I just came from Denman Island on the weekend. We're working with the Denman Island arts council, and they have homeless issues and economic job problems there. But they are seeing a need for linking with the school. They have a number of artists that live there, who could be professional artist resources to the schools if there was funding for Artists in the Schools programming.

J. Kwan: Certainly, I've seen the value of arts in my own community and most recently at home. My three-year-old daughter just started her first dancing lesson on the weekend, and the delight on her face....

I get what you're saying when you say the value of arts and culture to our communities and personally. I suspect that you chose those words deliberately, as you have chosen your presentation deliberately. On the

question around a significant increase in funding for the arts council, could you give us a sense of what dollar figure we're talking about, so that we have a fuller sense as we deliberate at the end of our hearings, so we can actually come up with something a little more concrete, hopefully?

L. Fraser: I would preface my remarks by saying that artistic folks are not shy about asking for money, given the climate in B.C. We're very good at putting our hands out.

Having said that, Arts Future B.C. is doing a costing of the programs that would be of most value to reintegrating seniors and youth at risk and those folks with disabilities in our communities. They're working through that right now, and this committee will have that brief within the next couple of weeks.

However, we believe that the B.C. Arts Council funding needs to be increased by \$30 million to \$40 million per year.

[1125]

J. Kwan: Could I just follow up with one more? When the full report is ready, is it possible for you to make sure that the Clerk's office gets a copy so that all the committee members can get a copy of that for our information before we finalize the report?

L. Fraser: Absolutely. We'll make sure that gets into everyone's hands.

I. Black: I come from Port Moody — the city of the arts, as it were — and I've had many, many presentations from the very vibrant arts community there. Many of the themes that you've mentioned this morning are quite consistent.

My question would pertain to the comment that was made about how Canada is quite timid as a country with respect to how we approach the arts. Obviously, a comparison point to ourselves is the Americans. With the Americans you see a great deal of partnerships within the corporate community as well, to the point that we as Canadians sometimes look at that with a little bit of disdain. However, it's also, obviously, a source of money. Coming from Coastal, as you do.... They are big community supporters.

My question to you is that in search of the \$30 million to \$40 million extra — using that as kind of a benchmark for the conversation — on a base, I believe.... Is it \$10 million or \$12 million that you get right now? What's the exact number?

L. Fraser: I believe it's \$16 million, but I could be in error.

I. Black: Okay. I know it was sort of in that range. It's obviously a substantial increase in money — exponential, almost. When you are contemplating that kind of an increase, have you looked at the kind of models that are used in other western countries with respect to that higher degree of business participation — and

corporate participation, as well — as part of a partnered approach to the arts funding in B.C.?

D. Trueman: Now, our organizations access funding from businesses and corporations all the time. That's how we survive currently. We provide many opportunities for sponsorship and for a win-win situation with these companies.

If the increase depended just on business in communities, it might not happen. There needs to be a strong government support as well.

In other jurisdictions, especially to the south, tax incentives are different than they are in Canada. That's a significant difference, as well, with people contributing to the arts.

I. Black: How are they different, if I may ask?

D. Trueman: Again, off the top of my head, donation benefits on income tax returns are more significant south of the border than they are in Canada.

I. Black: Are the details of that included, as well, in your report that's forthcoming?

S. Thomson: The report is still being drafted, so we can make sure that they include that.

The other thing to recognize is that a lot of the work, especially that this particular volunteer has addressed, is not the kind of work that a corporation wants to be involved with. If you're dealing with at-risk youth, you're dealing with innovation, you're dealing with new work, emerging artists, schools — those kinds of things.

Corporations and businesses usually want to be involved with the finished product, and there's so much work that has to be done to get to that level. That's where municipal, provincial and federal support can create the infrastructure that allows, then, the final fruit to blossom on the trees. That's when, usually, the larger philanthropy projects are successful, and larger corporations are involved there.

You have to recognize that within the sector, especially dealing with programs where there's not a lot of cachet or you're dealing with small numbers, there's often not the same attraction for corporate support as there is for some of the other kinds of art forms.

R. Lee: I believe that the government has committed to doubling the Arts Council's funding, as in last year's.... My question is: what's the most effective way to use those dollars, if there is a resource available? Would that be some popular, established artist or aboriginal artist? Exhibition sites are popular with the community schools — you know, to use the school facility. What do you think would be most effective for using the tax dollars to encourage arts and culture?

L. Fraser: I have great respect for the B.C. Arts Council. I have been on a number of boards that have accessed funding through the Arts Council over the

years. They have a wonderful group of people who are very knowledgeable about the arts scene in British Columbia and, certainly, nationally and internationally.

[1130]

They have the ability to balance the approach. I don't believe you can choose one over the other. I believe that what we need to do with the report that Arts Future B.C. is working on is to identify the areas that we think are key for funding.

We have great respect for the B.C. Arts Council. The problem for the B.C. Arts Council — and I love the words "woefully underfunded"; they really paint a picture for me — is that there is not enough money to do the things that we're doing today, much less the things that we need to do in the future to improve the quality of life for our citizens.

Every time this company, A, gets funding and they go, "Woohoo, I've got funding from the Arts Council; I can do what I need to do," it's because this company just lost its funding. You have to draw the line, and we can only fund so many things. That's why we need to dramatically increase the funding for the Arts Council. This is not arts groups with their hands out, saying: "Give us money because we want to sit in our studios and play." This is a group coming forward, saying: "We have an opportunity here to take funding...."

If you look at the statistics — and Lord knows, I'm from finance; I love statistics — 12 to 1 is the return on investments in the arts, 10 to 1, 8 to 1. You can use any of those multipliers, and it's still a win-win situation. Increased funding for arts and culture in British Columbia will allow us to have economic growth, which will allow more revenue for communities. The side effect of that is that we get to do the right thing, which is to help those citizens who can't help themselves.

B. Lekstrom (Chair): Again, I would like to thank you for a very well-thought-out presentation to the committee here this morning. Lynne, Debbie and Sandra, thank you for taking the time, and I thank your support group for showing up behind you.

We're going to try and get back on track. We're certainly slipping on the time limit a bit. I apologize to the people and to our presenters in the crowd. We're about 20 minutes, 25 minutes back.

Our next presentation this morning comes to us from the Malaspina Students Union. Joining us, we have Michael Olson and Steve Beasley.

Good morning. Welcome to the committee.

M. Olson: Good morning. My name's Mike Olson. I'm the director of services for the Malaspina Students Union at Malaspina University College. With me is Steven Beasley, our executive director. We also would have a large support group today, but it's a school day, so it's just the two of us.

We're here today to speak to you about the budget priorities of our members and their families in Nanaimo and the other Island communities in which our members live. Our students union represents over 10,000 students taking courses at campuses in

Nanaimo, Duncan, Parksville and Powell River. I'd like to thank you all on behalf of all of our members for the chance to provide our input into your budget priorities.

The primary concern of the Malaspina University College is the lack of affordability for post-secondary education. The students are enduring extreme hardship, and many young people are no longer able to access post-secondary education as a result of unprecedented increases in the cost of education over the past five years.

Students, families and young people need to be assured that the 2007 budget will bring renewed investment from the province in order to provide accessible post-secondary education to the communities being served by Malaspina. We have four recommendations today to achieve this goal. These recommendations are absolutely in line with the fiscal capacity of the B.C. government and are also in line with the expectations of the vast majority of British Columbians.

S. Beasley: Recommendation 1 is that the government allocate funding in the 2007 B.C. budget to reduce tuition fees by 10 percent. Tuition fees at Malaspina University College have risen from approximately \$1,200 per year in 2001 to \$3,500 per year this year. That represents a nearly 250-percent increase just in the five years in which tuition fees have been increased following the freeze in tuition fees.

Statistics Canada, the Canadian Association of University Teachers, researchers in the United States and across the globe have all produced research illustrating that tuition fees are the number one barrier to post-secondary education. One American study found that for every \$1,000 increase in tuition fees, low-income people were 16 to 19 percent less likely to acquire a post-secondary education.

A similar study was done in 1999 at the University of Western Ontario, finding that the participation from low-income earners dropped by 40 percent after tuition fees were doubled there. As conclusive as these statistics are, the students who are enduring the hardships of B.C.'s inflated tuition fees are neither numbers nor statistics. These are the people who are needed to fill the more than 70 percent of all new jobs that will require a post-secondary education. These students are people that B.C. needs to graduate in order to solve our shortage of skilled-trades workers.

[1135]

But beyond all these things, for which the province needs these students, these students deserve the right to participate equally in the economy and in society. They cannot do so if they are unable to complete their education or are being saddled with almost \$30,000 in student loan debt upon graduation. I think that we can all agree that a \$30,000 student loan debt is not the kind of jump-start that a 22-year-old needs in life.

A fully funded 10 percent reduction in tuition fees would cost the B.C. government just \$92 million in 2007. This investment, representing just one-quarter of 1 percent of overall public expenditures, would immediately reduce the cost to individual students by hundreds of

dollars. At Malaspina the average student would save more than \$350 as a result of this investment.

A poll conducted in July 2006 by the respected firm Ipsos-Reid found that 80 percent of British Columbians support reducing tuition fees and three-quarters of British Columbians believe that students are taking on an unfair burden of debt to pay for their education. Students are behind this recommendation, and it's clear that British Columbians are behind this recommendation. We're here today to encourage our elected representatives to also get behind this recommendation and reduce tuition fees by 10 percent for 2007.

M. Olson: Our second recommendation is that the B.C. government allocate funds in the 2007 B.C. budget to eliminate tuition fees for adult basic education. These programs serve higher percentages of single parents, women, aboriginal peoples and immigrants and are an integral piece of an overall strategy to bring those who are often marginalized in society to a more equitable standing. Tuition fees for these programs will prevent many of these potential students from achieving such a standing.

The implementation of these for ABE has ushered in a provincewide decline in enrolment, which began immediately after tuition fees were introduced and before unemployment rates dropped in late 2004. One of the worst examples of the effects of implementation of ABE fees can be found at Vancouver Community College, which now charges more for math 12 than it does for first-year university mathematics.

While tuition fees at Malaspina for adult basic education remain low, for the people who wish to take these courses at such institutions as Vancouver Community College, Langara College, Douglas College and Thompson Rivers University, upwards of \$300 per course is being charged. These fees represent extreme hardship, as the vast majority of ABE participants make less than \$20,000 per year. For these students \$300 can represent adequate clothing, food on the table or enough money to pay rent.

A survey conducted by the Ministry of Advanced Education found that 87 percent of ABE students were taking courses in order to get into post-secondary education. Those who don't take ABE to continue into post-secondary programs are taking these courses to qualify for employment. We should not be punishing these individuals for taking this initiative, nor should we be making it harder for those from low- and middle-income backgrounds to obtain the education they need to participate in the economy and contribute to a tax base.

That is why we're asking that the 2007 budget allocate just \$17 million to fund the elimination of all tuition fees charged for adult basic education courses in the province.

S. Beasley: Our third recommendation is that the government allocate funding in the 2007 budget to create an upfront, needs-based B.C. grant program that, unlike the previous program, should also include

graduate students. In 2004 the \$80 million B.C. grant program was cut, and many students and their parents came to our offices after the announcement in frustration and anger because they or their children would not be able to continue their education without this source of funding.

These students and parents, and thousands of others around the province like them, told their stories to the B.C. government, resulting in the creation of the loan reduction program. While the loan reduction program does offer financial aid to many of the most needy students, it is not as effective as a grants program.

Students are responsible with their limited money and need to be able to budget at the beginning of the year. However, under the loan reduction program, students do not know how much of their loans will be reduced at the end of the year, and low-income students will still not be able to afford the upfront costs of a post-secondary education. The most efficient and simplest form of student financial assistance is the upfront needs-based grant program, which targets the neediest students, reducing their upfront costs and allowing them to budget effectively for their year.

In addition to not effectively reducing financial barriers to post-secondary education, the loan reduction program does not include graduate students. Often these students already have significant student debt and are badly in need of assistance to complete their education.

Graduate students in Alberta, Ontario and Quebec all have access to provincial scholarship or grant programs to support their studies. Alberta provides significant funding packages to graduate students through the arts graduate scholarships and health research fellowships. Graduate students in Ontario have access to the Ontario graduate scholarships, which provide eligible students with \$5,000 per semester for two semesters at the master's level and up to four semesters at the doctoral level. In Quebec there's a system of provincial graduate research grants, reaching approximately 25,000 graduate students annually.

If the B.C. government is hoping to expand the number of graduate and applied graduate degree programs in British Columbia and make British Columbia a leader in graduate research, it will not be possible if we are behind other provinces providing access to graduate programs through graduate student grants.

[1140]

Finally, the new graduate program must be funded at or above the same amount as the former B.C. grant program, especially in light of the fact that tuition fees are more than double what they were six years ago when the B.C. grant program was created.

M. Olson: Our fourth recommendation is that the funding allocated for training tax credit be redirected towards direct funding for entry-level trades training and apprentices. It is widely recognized that there is a shortage of skilled labour and tradespeople in B.C. While the tax credit may go towards providing employers with funding to train employees, it misses the

primary resource for addressing the shortage: B.C.'s college and university college system.

It is institutions like BCIT, North Island College and Malaspina University College that will play a key role in developing skilled workers who are able to fill this gap and provide B.C. with effective and skilled tradespeople into the future.

Without providing adequate funding to these institutions for trades training, we will not address our looming skills shortage.

S. Beasley: In closing, this government has stated its goal to make B.C. the most educated jurisdiction in the continent. This laudable goal will require investment in our post-secondary education system, from adult basic education through to graduate studies. It will require that we ensure that all British Columbians have access to the education they need to achieve their goals, regardless of their family's income.

We believe that our four recommendations today will help move the province forward towards this goal and that they are within the bounds of B.C.'s fiscal reality.

We thank you again for the opportunity to provide input on behalf of students and their families on these budget priorities, and we welcome any questions the members of the committee may have.

B. Lekstrom (Chair): Thank you very much, Steve, Michael. I will look to members of the committee if they have any questions regarding your presentation here today.

H. Bloy: A very good presentation. I believe I've met Steve before at other presentations.

I just want to know about the student society fees. How much have they gone up over the last five years?

S. Beasley: The student society fees have gone up by the rate of inflation, so approximately 2 percent a year. The students voted to increase fees last year to create a club fund to create more clubs and societies on campus, to do more professional development work.

H. Bloy: Very good, because at some of the other colleges and universities the fees have gone up considerably.

S. Beasley: Other than inflationary increases, our fees have not changed since 1996.

J. Kwan: I'm tempted to make a comment about that, but I won't.

I'm wondering.... Part of the arguments that I note the Minister of Advanced Education has advanced is that the increasing tuition allows for facility spaces in the universities, colleges and so on. I'm wondering: from your perspective as a student and hearing from your student body, what is that situation looking like? Are you finding that there are more spaces available? Are you finding that people are accessing the classes and the instruction that they need?

Maybe you can shed some light on that issue for us.

S. Beasley: We're finding in general that tuition fees are having the effect of pushing people out of post-secondary education, that across the province enrolments are declining, particularly in those areas that are more rural. At North Island College, for example, the institution is now only delivering 78 percent of its allocated FTEs due to the increasing tuition fees in that area and the economic hardships faced by students.

The cuts that have come through from the B.C. government have resulted in institutions like North Island College having a number of their satellite campuses closed. I think they had upwards of ten or 12 campuses, and they are now down to nine or perhaps eight.

In general, at Malaspina we have started to see enrolment declines this year. We believe both statistically and anecdotally that that relates to the increase in tuition fees. We would disagree if that was the argument of the minister.

I. Black: One of my favourite expressions is: "Don't confuse causation and correlation."

The issue of declining enrolments is also corresponding with demographic changes, of course, as we know, and it's also corresponding with an extraordinarily hot market for occupations and employment outside of the college system.

Notwithstanding that, your recommendations have involved monetary implications. You touched on a couple of them. I think I heard \$92 million for one and \$12 million for another, and there would be a variety of others, I suspect, as well.

This is an exercise in choices, of course, with the presupposition that any investment in education is an investment. I'm 100 percent there. I've believed in training for my entire life. My background.... I spent a great deal of time training people in the darkest moments of a company's history. You still put money into the people. You still put money into the training.

[1145]

Let's start with the assumption that I'm there. However, that meant, at that point in time, that I couldn't spend money somewhere else. That's just a simple reality. Investment or not, the cash had to be come up with to put the money into that training.

My question is: in the broader context of what you want from your government, at a very broad level, then, where would we take that money from to fulfil some of the objectives that you've put forward to us this morning?

S. Beasley: I don't think we as a student union would sit here and sort of cherry-pick items out of the B.C. budget that should go down. I think we would rather make a broad argument that the benefits of B.C.'s economic success in the last few years have not been shared equally by all British Columbians. That's evident in increasing rates of homelessness and poverty. Education is one way that the B.C. government could

invest that money, as you say, to more equally share the benefits that we've all, as British Columbians, worked towards and we're all seeing through economic success globally within our province.

R. Lee: Can you elaborate a little bit on the tax credit to the employers? You mentioned something....

S. Beasley: One of the major concerns that we have, not only a student union that represents trades students but also as part of the overall student movement in British Columbia, is the level of underfunding of trades programming and the fact that not only is there underfunding, but the funding has been split out from the Ministry of Advanced Education to the Ministry of Skills, Training and Labour, I believe. That funding has been declining overall at a time when there's a significant need for training of more tradespeople in British Columbia.

We know from our own personal experiences as a campus trying to get some buildings constructed that none of those things are on time because there is a shortage of tradespeople. Certainly, as the government has spoken about the trades shortage, we think that it would be a very logical investment to be able to invest money in these programs and in funding people to go into the trades and in promoting the trades, thereby eliminating the shortage that has clearly been identified.

What we disagree with is that the way to do that is to fund employers through tax breaks. We think what is required is funding institutions and funding students directly to be able to take these programs. When the Industry Training and Apprenticeship Commission was transformed to the Industry Training Association — I think it is — there were a number of consultations. What came out of those consultations, although we would dispute how it was reported, was that a number of employers, instructors, students and those who take on apprentices were saying that more funding was needed for these programs — and to get students into these programs and make this education available.

I don't think there's been a shortage of apprenticeship placements. There's a shortage of apprentices, of students taking those positions and of people being graduated in trades programs. That's what we would like addressed.

B. Lekstrom (Chair): Again, Steve and Michael, I want to thank you for your presentation. I think, as was pointed out, that certainly your investment in education — and, really, that's what you've come to us with today — is probably shared by all. The issue is balance. How do we now as a committee come with a report that can put recommendations forward that actually show a priority of choices that we hear from British Columbians, and so on?

I want to thank you for taking the time. I'm sure you'll have to catch up on a couple of classes now as a result of taking time to come and present to us.

S. Beasley: Thank you for your questions.

B. Lekstrom (Chair): Our next presentation this morning is from Nanaimo's working group on homelessness. Joining us is Mr. John Horn. Good morning and welcome to the committee, John.

J. Horn: Thank you for giving me the opportunity to present and for the community, as well, to have some input into this. Unlike other speakers, I have no friends, so here I am by myself.

I don't have a prepared speech or anything like that, either. What I wanted to do, maybe, is just to say that the working group on homelessness in Nanaimo is the body that was set up by the SCPI funding, which is responsible for implementing and allocating the federal dollars from the national homelessness initiative.

Our committee is broad-based. It has members of the business community and has all the non-profits, as well as all three levels of government. The MLAs and the MPs are all members, etc. We represent pretty much the entirety of the community, let's hope.

[1150]

The things we wanted to bring forward today have been touched upon by some of the previous speakers. I believe the Haven Society Willow WAI spoke a bit about homelessness in Nanaimo and about some of the good work they're doing. They're a member of our committee as well. They were quite articulate and passionate about that, so they've probably laid the groundwork. They kind of stole my thunder, actually.

Of course, the question that they raised is: what happens to them from their own program point of view? What happens to them when the SCPI funding ends? As a committee, of course, that's a question we're wondering about ourselves as well.

I suppose what we're looking at is that the federal government has committed through to March 31, 2007, but no one knows what's going to happen after that. We see the implications of that because we know how many people are being serviced by the funding. We're just wondering what will happen if that funding ends and there's a vacuum. What will happen to all the people who are now temporarily in a transition house? It's going to have a big impact.

What I was hoping to do today, then, was perhaps respond to Ms. Kwan's question that she asked earlier about the status of homelessness in Nanaimo. We've conducted a couple of homeless censuses. I know other cities have done so as well — Kelowna and Vancouver — and we just completed one about a month ago. I've just received the results from that this morning, the analysis of that. I wanted to just touch a little bit on that and give you a picture of what the situation here in Nanaimo is.

Our first census, which we did last year, yielded 149 people who are living on the streets in our city. We did a second census in the winter, which yielded 100, and then we conducted a third one in the summer, which yielded a number of 300. That was 18 months from the first census. That information seems to indicate

a doubling of the figures, and I guess the question that we have to ask ourselves is: are we better at counting, or are there more people on the streets?

One of the things we know for sure, though, is that when we began to ask people whether they had been counted in previous censuses, many of them said no, a total of about 90 percent. So we're pretty clear that the people we were encountering in our last count are people who were coming into homelessness who we had not talked to before. It wasn't like the first 150 have been met by a new 150; it's almost like there are 250 new people who are on the streets. It's a fairly significant turnover in people's homelessness.

They seem to indicate that they're homeless for about 18 or 20 months. The disheartening part of that is that once they get out of homelessness, there's a whole batch of new people coming in to take their place, and that new stream seems to be getting larger and larger. That's of concern to us.

We asked a number of nosy questions of these people. We didn't just count them; we wanted to know why they're homeless and how they got there and what they saw as their route out. When we looked at the data, we came up with three real key drivers, and I'm sure they're no surprise to anybody here. Addictions was the number-one issue. Mental health was a prominent issue as well. Thirdly was economics, and that was a shift from our first censuses, where economics didn't figure so highly.

I really want to touch upon that last piece. I know that addictions and mental health are prominent issues in every community, but I suppose the one thing we're looking at changing the dynamic on in Nanaimo is the housing issue, and I'll speak a little bit about that.

The housing market in Nanaimo, as it has in Vancouver and Victoria and Kelowna, has gone up, and the price of housing has gone up. Of course, that drives the price of rental housing up as well. What's happening to the people who are down at the lower end of the socioeconomic spectrum is that their wages aren't increasing as a result of house prices going up. Those of us who are homeowners are quite pleased to see that our retirement package is getting fatter, so to speak, but we also recognize that there's no benefit accruing to a lot of people from that, specifically renters and people who maybe aren't going to own a home ever in their life.

We're looking quite closely at that within our working group as being one of the areas in which we want to have a big impact. While we have resources in place around addictions and mental health, we recognize that there's a significant market failure in terms of the provision of affordable housing for folks. We're seeing, I think, that one of the outcomes of that market failure is the increase in homelessness.

A number of people we talked to are just simply saying: "I could get a place if they were cheaper. That's really what it's about for me. I have an addiction, yes, but I'm able to manage that. I could probably live in an apartment and get by, but I frankly can't afford one." We see that as one of the areas where we want to make a difference.

When I stand here before you all, I would say that we would suggest housing is a key issue, not just for our community but for every community. But Nanaimo.... One of the things I want to put forward is that we're a service sector economy, and as you know, many towns in B.C. have had to make that transition from being resource-based to service sector-based — in tourism and these sorts of ways. I think we've done a fair job of it.

[1155]

One of the issues, however, is that a service economy doesn't pay high wages. The wages that many people in our community are earning are not at the same level as the rents that are being charged. We're talking to all sorts of people who are saying that every nickel of their paycheque goes into paying rent.

One of our jobs during the census was sitting at the local food bank. We started to talk to people who were there receiving food. My question was: how are you housed? Interestingly enough, 99 percent of them said: "Oh, I'm adequately housed, but here I am at the food bank."

In other words, they're making a choice between eating and paying the rent. I think that's a distressing choice for them to make. There are folks who aren't in a financial position to make that choice. They're not paying rent, maybe, and not eating as well.

From our perspective, what we'd like to see happen is that.... B.C. Housing has been a good partner for us in a number of initiatives, but there hasn't been much affordable housing stock built in Nanaimo in the last ten or 15 years. I'm sure that's true of other communities as well.

I know that one of the things we're trying to do is involve the private sector in doing that with us. The private sector has not put up much rental housing in Nanaimo. There isn't much incentive to do so. The returns are long and slow, whereas the returns on condo developments are quick and high, so there's been very little rental housing built.

We're trying to convince the private sector to build market housing and market rental housing. But again, when you work out the cost of land, etc., a market rental apartment is still going to rent for \$600 or \$700 a month. That's what they need to do to make the money back, and fair enough.

We have managed to make a partnership with some of the developers in Nanaimo, where they're going to build affordable housing for us at no cost. Part of that partnership involves the city of Nanaimo, which has given up some of its land in order to make that happen.

We have found mechanisms and a way to develop housing whereby we can now, theoretically, rent those apartments out at \$325 a month. To me, that's what an affordable apartment is. It's the cost of a welfare cheque — or someone who's earning whatever they pay at a convenience store or who's working at a retail outlet.

That's what we're trying to build. The market itself isn't going to do that for us, and it's going to be a long

time before land prices come down to the point where they can. We see that as one of the things that will allow us to help people out of homelessness.

There are the transition programs — like Willow WAI, which we spoke of earlier — and there are addiction programs and that sort of thing. But what these folks encounter is that when they emerge from those places and wish to start a new life, they find themselves having to live in places that are not conducive to that. If you have \$325 in Nanaimo, there are not a lot of options for you, and they often aren't good. The environments are not drug-free and alcohol-free.

We're trying to create an outlet so that those people who are moving out of homelessness get a place to move out to. That's really the struggle we're having. I can see that we're going to have some impact with our partnerships with the business community and with the developers in Nanaimo, because they're good. They're willing to kick back and make a difference, but they can't do it by themselves.

I suppose that what I'd be asking for is to look at B.C. Housing's programs and say: "Is there a way that we can have some capital funding made available?" Because the cost of land and the cost of putting up buildings make it just untenable to rent at decent rates. Really, it's about having that capital available to purchase land and to put up buildings. If we have that, then we can create a body of housing in Nanaimo that's for folks who don't earn a lot of money and for folks who are trying to move out of homelessness.

I suppose that's it. I have, as I say, the full census analysis that we've done in our last count. I just say, as a gross number, that we have 300 folks in our city who are homeless. They range from about 37 years old, on average.... There are a lot of reasons for them being there, but 300 is a fair whack for a small town like this. Housing seems to us to be one of the key issues.

That's really all I have to say, so if you have any questions.

B. Lekstrom (Chair): Thank you very much, John, for taking the time to come and speak to us about this.

I'm going to look to members of the committee, if they have any questions regarding what you've brought before us here this morning.

B. Simpson: Thanks, John, for both the presentation and the work that you're doing.

I live in Quesnel. Again, it's a small community, and it's something that we have noticed. Partly because we're getting milder winters, it allows people to stick around a little bit longer than they normally would. They'd have to leave.

[1200]

My question goes to the proposal you're putting forward around capital funding for land and buildings. It's the issue of the means to do that. Even if the government does assign money for that, what do you think is the best way of actually facilitating that happening? Do you do it through local agencies, as we've had presented today? Does the government actually do that

work on a needs basis, on a community-by-community basis, and then B.C. Housing acts as the agent for all of those facilities? So I guess a centralized versus a dispersed model? What do you think would be the best way to approach this?

J. Horn: Well, we think that probably the dispersed model is. One of the things we'd like to talk about is local solutions for local issues. You know, I'm sure there's a commonality across all communities in B.C. In fact, the SCPI.... We have a number of sister communities across British Columbia which we meet with regularly, and they all basically express the same issues. But at the same time, local conditions are different in each place.

I think that the expertise in terms of managing and operating non-profit housing lies with the non-profit sector and local non-profit groups, and I would prefer to see that. It seems much more efficient. I've watched centralized versus decentralized models, and the decentralized one seems to just operate at much higher levels of efficiencies. There are fewer administration costs. There's less waste. There's more attunement to the local situation, etc.

I would want to see that, but I would also want to see that there was a.... I think one of the genius strokes of the SCPI program, the national housing initiative, was that they forced, in some ways, the collaborative working-together process. I'm not sure how it would work, but I would want to see an element in there that said: "Yes, we want to fund these things. We want to fund local non-profit societies to operate and manage these. But we also want to see a collaborative process leading to the decisions about who you house and how you house and who is going to operate and manage these things and what kind of housing you put up."

I guess it's a twofold answer.

J. Kwan: Thanks, John, for answering my question, actually. I think that this speaks to some of the key issues around housing, because we have the federal government who pulled out of a national housing program in the early 1990s — I think it was 1993 — and since that time, the provincial government, since 2001, has done very little in terms of building new affordable housing units in and around the province. So I think all of these speak to some of the challenges that we face.

Is it also your sense that the federal government is not going to fund the SCPI program? Have they dialogued with the non-profit sector, I guess, or with your organization around what the intentions are?

J. Horn: Yes, we've had a number of conversations with the people from Ottawa, the senior administrators, etc., from that program. My guess is that they will fund something. I don't think it'll be a SCPI. I don't think it will be the same as what the previous program was. Where they're going to put their focus, no one knows. But I think they're going to fund something, somehow, some way. I don't think they're going to let it die.

There are a lot of good results pouring into Ottawa, and there's been a lot of lobbying over the last couple of years and stuff. I think they see that there's value in it. How that manifests is a political question, and no one seems to have an answer. But I think they will fund something.

J. Kwan: I would think that the provincial government would be very interested in getting the federal government to the table, because if all of these programs actually end in 2007, you will have a major situation just before 2010. I can't foresee that that's an acceptable sort of approach from the provincial government's point of view.

Having said that, lastly, the document that you have — is it possible for the Clerk's office to get a copy of it? I'd be very interested in reading that for more information.

J. Horn: I can. I can leave it with you, if you like. This is the....

J. Kwan: That'd be great.

B. Lekstrom (Chair): I see no further questions. Dave. Boy, I shouldn't solicit for questions, apparently.

D. Hayer: Thank you very much. A good presentation. I know the Premier has set up a council on homelessness where the mayor from Nanaimo is on it, the mayor from Surrey is on it. It's spread throughout British Columbia, and they have provided quite a bit of input. I think Minister Rich Coleman and Mr. Pauley are looking at some initiatives probably to work and to make an announcement later on this fall, from what the Premier had said in the media report. Have you had a chance to talk to the mayor so that he can provide some input to the Premier's council on what your input would be, what you think the solution would be?

J. Horn: Yes. Our mayor has been very good to us in terms of representing our interests at that committee and has brought home the bacon, so to speak, on a couple of occasions. As part of that, we've had the opportunity to speak with Rich Coleman and talk about what sort of things we'd like to see happen in Nanaimo and what we'd need out of a housing program. I think that committee is going to be reconvening very soon, and as a staff member, I will be attending those committee meetings with the mayor. Hopefully, I'll be prodding him from the back to tell him what to say and what we need for Nanaimo.

[1205]

B. Lekstrom (Chair): John, in closing, I want to thank you for taking time out of your day to come and present to us here. It's certainly another well-thought-out and well-presented position on the issues you put forward to us. So thank you.

Our next presentation today comes to us from Maxine Haley.

Good day, Maxine, and welcome to our committee.

M. Haley: Good day. This started out as good morning, but it's good afternoon.

B. Lekstrom (Chair): We ran about 30 minutes back. I was going to say good morning, but I corrected myself.

M. Haley: A balanced budget starts with a strong economy. This presentation is being made by M.M. Haley, private land owner of 145 acres or 58.7 hectares, which is and has been managed for farm and timber products since 1886. All lands were Dominion-granted and have an exportable March 12, 1906 — and previous — timber mark.

These lands have been managed and protected by various generations of my family through cultural and economic changes, including World War I, the Great Depression, World War II, and various cycles and evolutions within the coastal forest industry. One dramatic example is the order of Western Air Command, in September 1942, to burn logging slash on Vancouver Island to prevent fires being started by the incendiary bombs being released in Japan on the air currents.

Unfortunately, one of these fires escaped onto our property and burned 30 acres of our timber. No compensation was received for lost timber, fences, time fighting the fire, etc. The result of this fire was a loss of revenue to the landowner, and to the province of British Columbia, a loss in jobs and revenue through taxes.

Today private land owners in British Columbia are facing a serious loss in revenue created by Notice 102 and the restriction on private land owners with an exportable timber mark. Any business, to operate efficiently, needs the freedom to access the best market. It is the selling price minus the cost of production, which equals the profit or loss.

Currently on Vancouver Island, timber must be felled prior to offering it for sale. This means the logs are starting to deteriorate. The landowner must then seek the best market. The following is an example of value comparisons for a truckload of raw logs: the species is Douglas fir; the grade, sawlog; the market, domestic; the dollars, \$3,880 Canadian.

If you go to the export market with that same load of logs, you would get \$5,320 — a difference of \$1,440 more, or 37 percent. The same species, Douglas fir, in a gang grade — the domestic market is \$3,480. The export market is \$4,160. The difference is \$680 per load to the landowner.

[1210]

Cedar. In the gang grade, the domestic price is \$5,600. On the export market, it's \$6,560 — a difference of \$960 per load.

Hemlock. In the gang grade, domestic is \$2,000. On the export market, it's \$2,600 — a difference of \$600. This was using average quality and general price categories.

It is in the best business interest to access the export market, but under Notice 102 this wood must first be

offered to local B.C. mills. This means that not only does the log producer lose money, but also the B.C. government loses tax revenue, and jobs are lost in planting, crop maintenance and harvesting. I prefer to sell to the local market, but as you can see, it is unreasonable to expect a log producer — after growing these logs for 70 to 80 years — to take a lower price, ranging from \$600 to \$1,440 per load of logs, just to sell locally. Again, more tax dollars lost to the B.C. government.

As British Columbia is the only province in Canada which denies its log-producing citizens the freedom to access the best market, we need Notice 102 rescinded. The producers of live cattle, unprocessed grain, unprocessed fruit and vegetables, unrefined oil, unmanufactured lumber — even unrefined hockey players — are able to access the best market without facing any surplus test or export restrictions. Many private land owners have been forced to stop harvesting their trees as the local market does not provide sufficient money to cover their growing and harvesting costs. Again, jobs in planting, growing and harvesting are lost, as is revenue to the B.C. government.

To improve British Columbia's financial return from tree-growing — forestry — and to encourage more private land owners to grow trees, we need the freedom to access the best market. Removal of Notice 102 would also provide improved revenue for the province.

B. Lekstrom (Chair): Well, thank you, Maxine, for your presentation here today.

I'm going to look to members of the committee if they have any questions.

B. Simpson: Maxine, thanks for the presentation. I just wanted to clarify one point, and then I have a question. The Notice 102 is a federal constraint; it's not a provincial constraint. So what role are you asking the provincial government to take in this?

M. Haley: Well, the ministry in charge in the federal department, when I have inquired about that, tells me that it is there at the request of the B.C. government. If you phone the B.C. government, the B.C. government tells you it's a federal regulation. Who am I to believe? I don't really care why it's there. Get rid of it.

B. Simpson: Fair enough. I'm sure we have another presentation coming up next that may speak to this, because TimberWest and others have challenged this in court. I'm not sure what the status of the court case is just now, whether we're waiting for a finding or not.

My question, though, goes to changes that you've noticed over the last few years in the log market, because Notice 102 is only one aspect of getting a fair price for your logs off private lands.

[1215]

It's also how much activity is going on in the manufacturing side in the province and, in particular, on the Island. We've seen quite a few mill closures over the last little while. Has that added to the problem? If we

grew the manufacturing sector in the province, and in particular on Vancouver Island, do you think that would then drive log prices back up again without the removal of Notice 102?

M. Haley: I think that the Americans are quite correct when they state that we, the grower of raw logs, are subsidizing our mills. What I am asking for is the freedom to access the best market, the same way that my counterparts in Alberta, Saskatchewan, Ontario, Quebec, New Brunswick, Nova Scotia, Newfoundland have the right to do. When I go to Alberta to meetings with other log producers, they don't have a clue what I'm talking about when I say that we have to go through this rigmarole, which costs us money. My logs are deteriorating while I'm trying to get something through this surplus test.

In the interior of British Columbia you at least give the landowners the break that they can leave their logs standing. They can offer their trees standing while they go through this process. The coast for some reason or other is penalized. I mean, why can we export live cattle? Why don't you make all the grain producers process their grain into bread before they can sell it? I can just hear the people in Saskatchewan screaming.

D. Hayer: Actually, I was reading the *Province* this morning. They had very similar issues that Michael Smyth discussed.

You made a very good presentation. I think this is the first time I've heard somebody present in this detail, so thank you very much.

R. Hawes: Maxine, would you have any sense of how many private log farmers, if you will, or tree farmers, are not cutting because of this? Would you have any sense of the volume that's not now being cut?

M. Haley: I couldn't give you figures on it, but I know there is a lot of land that you see that has been growing trees for two or three generations in a family and is now being sold off. That tells me something. I checked with the people who issue the timber marks, and they tell me that there are thousands and thousands of timber marks in British Columbia. I said: "What do you mean by thousands and thousands — 1,000 or 2,000?" They said: "No, 5,000 or 10,000 — both in the March 12, 1906, and pre category and in the post category."

I know that people have told me: "Well, I'm not cutting because I just can't make enough money to reproduce my trees." Some of my trees that are ready to cut now were baby trees so high in 1929 when my grandfather died. I'm not going to sell them off if I can't get a better price for them. The thing is, if I can get a better price for that tree to sell it as firewood than I can as a raw log into a mill, where do you think I'm going to sell it?

This is what we're faced with. It's jobs. You're putting registered professional foresters through your colleges. Where are they going to work? Where are your fallers and buckers going to work? Where are your

yarders, your tree planters? What about your nurseries that grow these trees?

[1220]

Think of the revenue that this province loses in jobs and income tax money, in tax money that they tax you when you make a harvest on your land. I have to pay for that land, and I have to pay the taxes on that land every year for 70, 80 years. Those costs have got to be covered. It's just like running your province. You have to take in enough taxes to cover your expenses, or you're not going to be there very long.

These March 12, 1906, timber marks were granted when the Crown colony of British Columbia joined the Dominion of Canada. They were part of the agreement when we joined. Maybe we're still just a Crown colony — who knows?

B. Lekstrom (Chair): Maxine, I do want to thank you for your presentation — certainly the history you've brought with it on the piece of property you're talking to us about, but the actual issue. You have been quite precise that we're dealing with private landholdings versus the public Crown land. I thank you for your presentation here this afternoon to us now. Thank you for taking time out of your day to come and speak to us.

M. Haley: I did find part of one of those parachutes from those incendiary bombs on our property, actually. There were several fires started in British Columbia from them.

B. Lekstrom (Chair): And that was one. All right.

We'll move on to our next presentation today. It comes to us from Island Timberlands LP, and joining us is Darshan Sihota.

Good afternoon, Darshan. Welcome to the committee.

D. Sihota: Good afternoon. Thank you.

Hon. members, invited guests, ladies and gentlemen, I'll try to follow up on Maxine's elegant presentation and provide a little bit of insight into this issue from the perspective of a larger private land owner.

I'll begin by thanking the Select Standing Committee on Finance and Government Services for allowing me the opportunity to speak to you today on issues that I feel are important to the industry in which I make my living. I come to you as a British Columbian who has been employed in the coastal forest industry for over 30 years. I also come to you as one whose father was a sawmill worker on Vancouver Island and whose grandfather came to this province for the promise of economic freedom and prosperity. As president of the second-largest private timberland company in British Columbia, I also speak to you as a representative of the Canadian investors who put their money on the future of the business of growing and harvesting timber on this west coast of Canada.

Since my grandfather came to Vancouver Island a century ago, we've seen tremendous change in the coastal industry. Together my father and his father

worked in seven different sawmills for five different companies over a period of 40 years. All of those companies and all of those sawmills are now just memories of the past, the result of the natural evolution of an industry over time.

Today it's 60 years since my dad put in his last shift in a sawmill, a sawmill that is also no longer there, and there's cause for concern about the coastal manufacturing sector. Coastal mills are old and tired. The technology is antiquated, and there is little if any appetite in the capital markets for reinvestment in modern technology and the highly efficient equipment that's required to make this region competitive.

Over the years — actually, since I've been in the industry — a number of companies have left the coast. These are only the ones I remember: Rayonier, Weldwood, West Fraser, Canadian Pacific, Avenor, Weyerhaeuser, Fletcher Challenge and Norske Skog. Add to this the list of companies that have disappeared through mergers: Crown Zellerbach, B.C. Forest Products, MacMillan Bloedel, Tahsis Company, Doman Industries. As each of these companies has departed, we haven't seen a logjam of new entrants waiting to enter the industry, waiting in the wings to take their places.

[1225]

The reasons for the plight of the coastal industry have been well covered recently by the 2006 report of the Wood Products Industry Advisory Committee to the B.C. Competition Council, and as well by Dr. Peter Pearse in his 2001 report to the Minister of Forests on the coastal industry. Dr. Pearse identified declining earnings, inadequate returns on invested capital, deteriorating plant and equipment, uncompetitive costs and underutilized capacity as evidence that the industry could not sustain itself on the then-present path.

He also foreshadowed the inevitable results: mill closures and job loss. He went on to cite the need to resolve the lumber trade file with the U.S. but cautioned that this in itself would not be enough to create an environment for a satisfactory return on capital.

Recently the Wood Products Industry Advisory Committee to the B.C. Competition Council, in its exhaustive report earlier this year, recommended a coast turnaround plan with two major areas of focus. The first is operating cost reductions, new business models and new investment for the existing coastal sawmill industry — basically, the large-log industry that operates today — and second, a greenfield investment in state-of-the-art manufacturing facilities that are based primarily on second-growth timber.

Of particular note are the recommendations for government funding. The committee recommended a full review of tax policy to ensure that federal and provincial tax incentives act to support the turnaround of this industry. It also recommended funding for community and workforce transition to ensure that workers and communities have support as they are impacted by the inevitable change that's happening in this industry and has been happening since my grandfather came to this industry. It is in these areas that our

government can show leadership and set the stage for much-needed capital investment.

When times are tough, it's often easy to look for someone or something external to blame, but we must look at the global competitive issue of the coast as it is, not as we would like it to be. First of all, we must admit that our manufacturing costs are the highest of any jurisdiction in the world. I think that has something to play in Maxine's inability to get a competitive price for her logs.

Irrespective of the root cause of this, it doesn't put us in a very strong position to compete in an increasingly global marketplace. Since our wages are high, arguably the highest in the world, the only way we can hope to compete is to be more productive. That means less labour per board foot of production than our competitors in the rest of the world. Inevitably, that means that the revitalized and competitive manufacturing sector that we hope to create on the coast will employ fewer, not more, workers in combination with the more advanced and expensive equipment that we have to acquire and have come to expect in the past.

If we truly want a manufacturing industry on the coast, we need capital investment, first, to right-size and upgrade our existing sawmill capacity and, second, in new and efficient equipment that is designed to manufacture and extract value from the growing volumes of second-growth timber. Government's role is to create an environment that is conducive to investment — investment by willing participants who can envision a reasonable return that reflects the risks inherent in this business.

It's my hope that those willing participants, those willing investors, would be willing Canadian investors, as is the case of the investors in the company that I represent. Only speculative capital will be attracted to an industry if the prospects for return are slim. Stable and reasoned government policies that minimize regulatory burden and respect investment capital can go a long way toward incenting investors to take risk.

By the same token, nothing scares capital away more effectively than the risk of arbitrary changes to the rules of the game. The range of policy environments across regions of the world is what causes investment capital to flow towards stable jurisdictions and away from those where risk is high.

Before I comment more specifically on what our government can do to help, I would like to clarify a few facts about the current situation in our coastal industry. Firstly, sawmills on the coast have not recently been curtailing and closing because of lack of logs. They have been closing because they are unable to competitively manufacture and sell lumber on the global markets. Secondly, international prices for B.C. logs range from 15 percent to 50 percent higher than domestic prices, as evidenced by Maxine's comments. This is a reflection of the lack of competitiveness of the manufacturing sector.

[1230]

Thirdly, there is a surplus, not a shortage, of timber on Crown land on the coast. Coastal AACs have been

significantly undercut for a number of years. This undercut totals over 35 million cubic metres since 1997.

Fourthly, rising log exports in recent years are a symptom, not the cause, of a manufacturing sector that is uncompetitive. Finally, log exports have sustained employment in the harvesting sector at times when there have not been any domestic buyers for logs.

With the foregoing as background, I'd like to turn to what I see as the government's priorities with respect to the coastal forest industry. Firstly, I urge the government to respect the historic contributions of coastal forest communities and provide economic support to those communities hard hit by the inevitable transition from a primarily forest-based economy to a broader economic base. This support should contemplate funding for worker transition as well as assistance with needed infrastructure improvements where through tax base reductions, communities face funding shortfalls.

Secondly, and without violating the anti-circumvention language of the softwood lumber agreement, which was just recently signed, I urge the government to provide economic incentives to investors who wish to participate in the development and growth of an efficient and globally competitive wood processing sector on our coast. I agree with Maxine on this. We would much rather sell to local customers, but we need to be able to get a fair price. I welcome the entry of globally competitive consumers of logs on this coast.

Thirdly, I suggest that the newly reallocated timber resulting from the forestry revitalization plan should be viewed as a primary source of raw materials to feed the expected growing demand for timber that results from a revitalized manufacturing sector.

Finally, the government should allow the many private timberland owners in the province who have invested and continue to invest in their timber crops the certainty of a fair price for the products that comes from the ability to access global markets in addition to selling to their valued domestic customers.

In closing, I'd like to say that I support the notion of a revitalized coastal wood products manufacturing sector that is able to compete head-on with other manufacturing regions of the world. There is no doubt that the industry has undergone significant change over the last century, and we should not expect that the changes are complete yet. As a timberland manager, with each tree planted today, I'm betting that there will be a fair market for our timber half a century in the future. I look to our government to provide the stable environment that will allow our industry to flourish now and in the future.

B. Lekstrom (Chair): Thank you, Darshan, for your presentation here. I'm sure there will be some questions.

B. Simpson: Darshan, you and I haven't caught up with each other to be able to sit and have a longer conversation, so I'll keep my comments brief just now. For the edification of the committee members, does Island Timberlands have any manufacturing capacity?

D. Sihota: No, we don't.

B. Simpson: So pure log sales from private lands.

D. Sihota: Yes, our investors invested in private timberland as a growing resource to harvest and sell logs.

B. Simpson: Again, just for clarification, with Island Timberlands and TimberWest, there's also the land development. So the alienation of non-forest land for development purposes is part of both business plans. Is that correct?

D. Sihota: In the case of Island Timberlands, our primary business is growing and harvesting timber. Having said that, we recognize that at times our trees may get in the way of progress. Some of our lands are right next to communities, and those lands are needed for development.

B. Simpson: For community development.

D. Sihota: For community development. So we take the view that we won't stand in the way of needed community development, and we have to recognize that our timberlands may be required for that in the future.

[1235]

B. Simpson: I just want to clarify that from the perspective of your presentation. I'll stick with the implications of the softwood lumber agreement, because it's a key focus. As we know from yesterday and today, there are now significantly more questions spinning around what it will look like for the future of our industry.

With respect to private logs, what do you see as the implications for the failure for us to get an exemption? If the government is going to get involved in supporting the industry in some fashion.... I take your point about the 20-percent clawback possibly fuelling that. That's a whole other conversation of where that went and how it gets into the marketplace. But a substantial portion of Vancouver Island.... I think almost 25 percent, if not more, of the volume available comes from private logs. If we don't get an exemption from lumber produced from those, then do you see us ever being able to really repatriate those back to a domestic manufacturing?

D. Sihota: In a free market if Notice 102 was gone, you mean?

B. Simpson: Uh-huh.

D. Sihota: Yes, I believe that even with Notice 102 gone, private landowners would sell to the domestic market, because there are domestic.... Some of our best customers are domestic customers that we target and sell, because they have a unique business plan and special products that they make and special markets

that they've accessed. So yes, I believe that there would still be a good domestic market.

I think that the other side, the issue, though, is really the undercut on the Crown lands on the coast and what's led to the driving of that. Some of that is cost structure, but I think it's safe to say there is no shortage of timber on the coast. Even if there weren't any timber grown on private lands, there would still be lots of timber on the coast to feed coastal sawmilling.

B. Simpson: Okay, fair enough.

I have one more question, at the Chair's discretion.

B. Lekstrom (Chair): Certainly.

B. Simpson: I think your counterpart in Western Forest Products, as well as Coast Forest Products, argued vehemently the countercase, that if we don't get the exemption of lumber produced from private logs, then it causes us significant grief in revitalizing the coast. There is a counter-argument out there, and it's led by those who still manufacture.

The second point you raised about revitalization strategies, incentives on the part of government. I agree wholeheartedly with the community transition, worker transition. I don't think that would be circumvention of the SLA. But in the case of the constraints, as you understand it, on government and its ability to actually assist the industry, as I read the document, it specifically talks about both tax regime and forest management coming under circumvention.

How could the government engage in any way in tax incentives or any kind of partnership with the industry, given that it explicitly states that we have to go through Washington for any of those policies?

D. Sihota: You'll have to forgive me because I'm not an expert on tax or, actually, the softwood lumber agreement, because it's not really part of our business. But certainly, as long as the government can show that the action that it took is not directly favourable to a competing sawmill in allowing them to compete in the export market with the Americans, they can work around that. The challenge, of course, as you pointed out, is a bit of a handcuff on the government in terms of what is doable. The commentary around transition and other non-direct incentives may be the better approach.

R. Lee: You mentioned that over the last ten years all of the 35 million cubic metres of wood were undercut in the coastal area. How much value was that undercut wood? And also, in your estimation, how many tree farms were undercut and the economic impact...?

[1240]

D. Sihota: Okay, the value. That's difficult to say without looking at the nature of all the timber, but most of that timber, the undercut, was on large tenures. They would be tree farm licence tenures. A lot of it would be what today we would call marginal timber,

some of it marginalized by changing markets for the export lumber that came out of those areas.

It's difficult to put a number on what that value would be, but certainly, if you look at any of the indicators for amount of employment and amount of tax generation per cubic metre of harvest, you could come up with a number which would say that the lost opportunity of not harvesting this timber was so much. So it is a significant volume. The annual cut on the coast off Crown lands was probably, at that time, somewhere around 17 million cubic metres, so it equates to about two years of harvest over a ten-year period.

Does that help?

R. Lee: It's 25 percent of the loss. So was the allowable annual cut supposed to be optimizing — or, at least, you can sustain the trees' regeneration?

D. Sihota: Yeah.

R. Lee: If you don't cut it, then it's a loss, too, to the economy?

D. Sihota: Well, no. I mean, in terms of the timber crop, if you don't cut it, you can cut it later. But some of these timber stands are decadent. They would be decaying and deteriorating, so there's that issue with that. But generally, if the cut is not harvested, it's more the short-term economic impact to the communities, to the workers and to the industry that is the impact. It's not a lost resource as a result of being deferred, if you will.

R. Lee: Yeah, okay, so the tree would get old and decay.

D. Sihota: It would just get older, and then you would cut it later.

B. Simpson: Sorry, most of the undercut is in second growth. It's not the old growth. That's not being undercut, and the second growth isn't decadent.

D. Sihota: If it was second growth, it would just keep growing.

B. Simpson: That's fine. I just want to clarify the point that the majority of the undercut is still second growth, which is viable timber for quite a few generations to come.

B. Lekstrom (Chair): I'm going to move on. We have one more question coming from Randy.

R. Hawes: Darshan, maybe you could.... I've heard it said that some of the mills are afraid or concerned about future alienation, so they won't block export sales for some of the Crown timber, which would make you a bigger target for them to block and to stop your export sales. Is that something you've heard, or is that something you would...?

D. Sihota: Relative to Crown timber? No.

R. Hawes: Some of the Crown timber that goes on the export market is not being blocked because some of the mills that could access that timber are afraid to block those sales because of future alienation — sales alienation.

D. Sihota: Well, if they say that, it wouldn't be relative to us because we don't have any Crown timber.

R. Hawes: No, no, no. That leaves you as the target for sales. That would stop your exports.

D. Sihota: Yes. I mean, the way the blocking system works is that with the timber we produce — and the same with Maxine's timber — we have to advertise it. When you're a bigger company, you have the synergies, and you have the ability to hold inventory and so on.

We have a marketing group that works with local customers. When they come to us and say they need wood, we work hard at ways to find wood for those local customers, because at the end of the day, the way Notice 102 works is: they hold the trump card. If we don't find them wood, they can block our ability to sell to the highest end use.

R. Hawes: In essence, I know what some mill owners have said to me is that if they need to block somebody, it's going to be you rather than some of the large tenure holders on Crown land.

D. Sihota: It could be. Maybe that explains our results.

R. Hawes: I don't know. I'm asking you. Is that...?

D. Sihota: Not that I'm aware of. I haven't heard. Again, I'm not that close to the marketing side of the business. But I haven't actually heard somebody come to me and say that we've been picked on specifically more than anyone else, although we always feel like

that's the case when we can't sell our logs to the guy who wants to buy them.

B. Lekstrom (Chair): Well, Darshan, I want to thank you for coming and making your presentation here to the committee. I note you had a written submission there, so you could leave that with us, if that's possible. I'll make sure all committee members get a copy of that as well. Thank you for taking the time to come and speak with us here today.

D. Sihota: Thank you.

[1245]

B. Lekstrom (Chair): With that, we have no further presenters scheduled. We do have our open-mike session beginning at 1:30, so we will recess now until 1:30.

The committee recessed from 12:45 p.m. to 1:35 p.m.

[B. Lekstrom in the chair.]

B. Lekstrom (Chair): At this time I would like to reconvene the Select Standing Committee on Finance and Government Services meeting here in Nanaimo. We have reached the portion of the meeting where we have an open-mike session for anyone that has not registered as a presenter but would like to speak to the committee.

Seeing that we have no parties that were wishing to present to the committee here this afternoon during the open-mike session, I will move adjournment of the committee in Nanaimo and thank all of the presenters that took time out of their day to come before us and present their opinions and priorities on the upcoming budget for British Columbia for the '07-08 year.

With that, again, thank you to the organizers and to the residents of Nanaimo that took the time. We do stand adjourned.

The committee adjourned at 1:36 p.m.

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