



Second Session, 38th Parliament

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REPORT OF PROCEEDINGS  
(HANSARD)

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

**Abbotsford**  
**Friday, October 6, 2006**  
**Issue No. 35**

BLAIR LEKSTROM, MLA, CHAIR

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

Abbotsford  
Friday, October 6, 2006

*Chair:* Blair Lekstrom (Peace River South L)

*Deputy Chair:* \* Bruce Ralston (Surrey-Whalley NDP)

*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)
- \* Bob Simpson (Cariboo North NDP)

*\*denotes member present*

*Clerk:* Anne Stokes

*Committee Staff:* Jacqueline Quesnel (Committees Assistant)

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*Witnesses:*

Stirling Angus (SJA Forestry Consultant)  
Dr. Harold "Skip" Bassford (President, University College of the Fraser Valley)  
Bruce Beck (Councillor, City of Abbotsford)  
Rita Chudnovsky (B.C. Child Care Advocacy Forum)  
Sheila Davidson (B.C. Child Care Advocacy Forum)  
Bev Dornan (Greater Langley Chamber of Commerce)  
Scott Fast (President, University College of the Fraser Valley Faculty and Staff Association)  
George Ferguson (Mayor, City of Abbotsford)  
Jon Garson (B.C. Chamber of Commerce)  
Dick Klein Geltink (B.C. Agriculture Council)  
Laurie Geschke  
Gay Hahn (B.C. Food Processors Association)  
David Hull (Abbotsford Chamber of Commerce)  
Brenda Locke (Executive Director, Massage Therapists Association of B.C.)  
Donald McInnes (Northwest Powerline Coalition; Western Keltic Mines Inc.)  
Harriet Permut (Real Estate Board of Greater Vancouver)  
Richard Rees (Institute of Chartered Accountants of B.C.)  
Sylvia Sam (Real Estate Board of Greater Vancouver)  
Steve Thomson (Executive Director, B.C. Agriculture Council)  
Tony Toth (B.C. Food Processors Association)  
Frits Verhoeven (President, Canadian Bar Association — British Columbia Branch)  
Lynn Whitehouse (Executive Director, Greater Langley Chamber of Commerce)  
John Winter (President, B.C. Chamber of Commerce)  
Laura Yake (Centre for Epilepsy and Seizure Education)  
Karen Young (Abbotsford Symphony Orchestra)



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MINUTES

# SELECT STANDING COMMITTEE ON FINANCE AND GOVERNMENT SERVICES



Friday, October 6, 2006  
9 a.m.

Pinnacle 1, Ramada Plaza  
36035 North Parallel Road, Abbotsford

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

**Unavoidably Absent:** Blair Lekstrom, MLA (Chair)

1. The Deputy Chair called the Committee to order at 9:03 a.m.
2. Opening statements by Mr. Bruce Ralston, MLA, Deputy Chair.
3. The following witnesses appeared before the Committee and answered questions:

- |   |   |
|---|---|
| 1) British Columbia Chamber of Commerce                                     | John Winter<br>Jon Garson<br>Richard Rees   |
| 2) Institute of Chartered Accountants of<br>British Columbia                |   |
| 3) BC Agriculture Council   | Steve Thomson<br>Dick Klein Geltink<br>Mayor George Ferguson<br>Councillor Bruce Beck<br>Donald McInnes |
| 4) City of Abbotsford   |   |
| 5) Northwest Powerline Coalition<br>Western Keltic Mines Inc.               |   |
| 6) University College of the Fraser Valley<br>Faculty and Staff Association | Scott Fast  |
| 7) Abbotsford Chamber of Commerce   | David Hull  |
| 8) Laurie Geschke   |   |
| 9) Real Estate Board of Greater Vancouver                                   | Sylvia Sam<br>Harriet Permut<br>Sheila Davidson<br>Rita Chudnovsky<br>Frits Verhoeven                   |
| 10) BC Child Care Advocacy Forum  |   |
| 11) Canadian Bar Association — British Columbia<br>Branch                   |   |

4. The Committee recessed from 12:07 p.m. to 12:37 p.m.

- |   |                               |
|---|-------------------------------|
| 12) Massage Therapists' Association of BC   | Brenda Locke                  |
| 13) BC Food Processors Association          | Tony Toth<br>Gay Hahn         |
| 14) University College of the Fraser Valley | Dr. H.A. (Skip) Bassford      |
| 15) Greater Langley Chamber of Commerce     | Bev Dornan<br>Lynn Whitehouse |

- |   |                |
|---|----------------|
| 16) SJA Forestry Consultant                 | Stirling Angus |
| 17) Centre for Epilepsy & Seizure Education | Laura Yake     |
| 18) Abbotsford Symphony Orchestra           | Karen Young    |

5. The Committee adjourned at 1:53 p.m. to the call of the Chair.

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**Blair Lekstrom, MLA**  
Chair

**Ann Stokes**  
Committee Clerk



FRIDAY, OCTOBER 6, 2006

The committee met at 9:03 a.m.

[B. Ralston in the chair.]

**B. Ralston (Deputy Chair):** I'd like to welcome everyone here this morning. I'm Bruce Ralston. I'm the MLA for Surrey-Whalley and the Deputy Chair of the Select Standing Committee on Finance and Government Services. Blair Lekstrom, the Chair, is engaged in government business this morning up in his riding, in Peace River South.

I want to welcome everyone in the audience and thank you for taking the time to participate in this process. I'll give you a little bit of an introduction as to the purpose of the committee. By legislation the Minister of Finance issues a budget consultation paper no later than September 15 of each year, and we as a committee are delegated to tour the province to speak with British Columbians about their specific budget priorities.

The Select Standing Committee on Finance and Government Services is charged with carrying out public consultations on the minister's behalf. This all-party committee is required to report back to the Legislative Assembly no later than November 15 of this year.

Today we're going to hear from a number of presenters who preregistered with the Office of the Clerk of Committees. Presentations are to be no longer than ten minutes, with up to an additional five minutes allotted for members' questions. We may also have time at the end of our session for an open-mike portion, as time permits. Open-mike presentations are to be no longer than five minutes.

At this point I'd ask other members of the Finance Committee to introduce themselves, beginning on my right with Iain Black.

**I. Black:** Good morning, ladies and gentlemen. My name is Iain Black. I'm the MLA for the riding of Port Moody-Westwood.

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

**R. Lee:** Richard Lee, MLA for Burnaby North.

**J. Horgan:** John Horgan, MLA, Malahat-Juan de Fuca.

**R. Hawes:** Randy Hawes, MLA, Maple Ridge-Mission.

**J. Kwan:** Jenny Kwan, Vancouver-Mount Pleasant.

**B. Ralston (Deputy Chair):** Also joining us today are, to my immediate left, Anne Stokes, our Committee Clerk, and Jacqueline Quesnel, who's staffing the registration desk that you saw on your way in.

[0905]

Also joining us today are the staff of Hansard Services, Wendy Collisson and Graham Caverhill, who will assist

with the preparation of written transcripts as well as the webcasting of the audio of this meeting over the Internet.

I would also just remind those who are interested that in addition to oral presentations, the committee will receive written or electronic submissions up to Friday, October 20, for the consideration of the committee.

With that, I'd like to call upon our first presenters this morning, representing the British Columbia Chamber of Commerce: Jon Garson and John Winter, who's the B.C. president and CEO.

### Presentations

**J. Winter:** Thank you very much. Good morning, everybody. It's a pleasure for us to be here. My colleague Jon Garson is our director of policy development for the chamber and intimately familiar with much of the material we're going to talk about this morning. In the interest of time, we have a large agenda to cover, so I'll get right into it.

Thank you again for the opportunity to allow us to present the views of our membership and what the government priorities for the 2007-2008 provincial budget should be. At this point it's perhaps useful to provide some background as to the chamber's constituency. We represent 130 chambers or boards of trade around the province, and these in turn represent 31,000 businesses of every size in every sector in every region of the province. As such, the chamber truly is the voice of B.C. business. The chamber performs this role through a strong advocacy platform based on a unique grassroots policy development process.

We're also happy to provide you with a written presentation that contains the full details of the priorities of our members.

The provincial government budget consultation paper outlines a clear message: what choices would you make? The chamber believes this is a critically important message, as the wrong choices in budget 2007 will have a profoundly negative consequence for the economic prosperity of the province.

The release of the first quarterly report saw the Finance Minister announce a significantly stronger economic outlook for 2006 than originally forecast, including a provincial surplus of \$1.2 billion. With an increased surplus will inevitably come pressure to increase spending. The chamber believes this pressure must be resisted, and government must continue to focus on the need for prudent fiscal management. The improved economic performance of British Columbia, which has also seen revenue rise by just over \$1 billion, is offset by the fact that that we face significant challenges, many of which are outside the province's ability to control.

Natural resource revenue continues to be volatile, with natural gas alone \$774 million down on forecast. The province also sounded a note of caution that is shared by our members regarding B.C.'s forest industry, pending a better understanding of the impact of the

softwood lumber deal on the provincial revenues, not to mention the beetle issue.

Further to this, the potential for higher interest rates, the slowdown in the U.S., a stronger Canadian dollar, ongoing trade and border issues with the U.S., further rise in oil prices and strong global competitive pressures are all risks to the economy that make the need for fiscal prudence critical to our future. It is therefore essential that the government set definite and attainable targets with respect to debt reduction and spending levels.

First of all, controlling public spending. The chamber remains committed to ensuring that government keeps public spending firmly under control. We noted with some concern that the total government spending increased by \$722 million more than originally budgeted in 2006. While we accept that this increase was driven by a very specific circumstance and therefore does not indicate a trend, it is worrying all the same for the simple reason that increased public spending can become a vicious circle. Increases in public spending feed greater expectations, which in turn feed the need for further revenues, which results in calls for increased spending and so on. As such, the chamber recommends that public spending be capped to increase by no more than 3 percent per annum in line with projected growth in the economy and the population.

Moving on to health care. In the quarterly report the government indicated that the health authorities have already set their stall out for increased funding, despite having an additional \$2 billion invested since 2001. Minister Taylor has been clear that if we continue to spend on health care at the 8-percent-increase level we saw last year, by 2017 a full 71 percent of the total provincial budget will be spent on health care alone, with 27 percent on education. You do the math for where else the government will be able to invest.

We must realize that simply pouring more money into the system is not the answer. It's a recipe for disaster. It's not necessarily going to provide better health care — just more expensive health care.

[0910]

The chamber believes that a true conversation on health must address the unsustainable nature of current spending on health care and the need for fundamental structural reform. The chamber strongly urges the government to resist calls for an increase in health spending above the rate of inflation until the conversation on health is complete and a comprehensive plan for the long-term sustainability of health care in British Columbia is developed.

Reducing the burden we leave to our future generations. The nature of surpluses are such that it is dangerous to direct these revenues to program spending as they simply increase government spending in future years, thereby reducing our ability to cushion the economy against the unforeseen circumstances and challenges. The benefit of debt reduction is that it actually frees up sustainable revenue that government can reinvest without risking the economy. The chamber

recommends that the government direct the surplus, along with all unused reserves, to debt reduction.

We would also recommend that the government take debt repayment out of the normal budget process by introducing legislation that will lay out a long-term debt-reduction strategy. The chamber believes that the benefit of following a policy of fiscal prudence and debt reduction was clearly demonstrated by the announcement yesterday that B.C. has regained its triple-A rating from Moody's. This rating increases investor confidence and reduces debt service costs, thereby saving British Columbians even more money.

Recommendations for action. Firstly, education is the key. The future prosperity of the province and, therefore, our ability to invest in the future health of our people and communities rests on education. Unfortunately, many British Columbians are being denied access to post-secondary education due to financial restrictions.

This is not a situation where the chamber is asking government to fund the cost of education. Students are willing to pay. They simply require government assistance to access the loans needed to finance their education. As such, the chamber recommends that government review the student loan system to change the restrictions which apply to students with poor credit, providing appropriate due-diligence measures have already been taken; increase the amounts available for student loans to reflect the true cost of education; and change the funding formula to ensure that amounts available are no longer tied to the number of weeks on a course.

A co-op tax credit. To ensure that B.C. has the highly skilled workforce essential to the knowledge-based economy of the future, B.C. needs to ensure that students are provided the made-in-B.C. skills necessary to our future success. While a co-op infrastructure currently exists in B.C.'s many small businesses — which are the backbone of the economy and the likely employer for young workers these days — these businesses find the cost of participating quite prohibitive. The chamber recommends that the government introduce a co-op tax credit to business employers equal to 15 percent of the wages paid to qualified co-op students.

Skills must continue to be the focus of the government. The chamber was the leading voice calling for the introduction of the training tax credit introduced in Budget 2006. Upon further work by the chamber to design the parameters for the actual credit system, it became clear that while a welcome start, \$30 million a year for three years does not address the sheer scale of this issue. Therefore, the chamber recommends that the government introduce a review mechanism that be initiated after year one of this program to review the take-up. The chamber also recommends that the government create a fund of \$60 million to be used in the event that the program is found to be oversubscribed to the degree that it is affecting employers' ability to provide this training or that it be found to be excluding employers for lack of funds.

A few comments on fiscal policy. During strong periods of economic growth, it is critical that government invest in producing a framework to enhance productivity,

thereby raising the living standards of Canadians. Key to this is a competitive taxation regime. The chamber commends the government on its action to reduce this tax burden. The strong focus shown by this government has resulted in B.C. enjoying a competitive taxation regime compared to other provinces and in relation to many other North American jurisdictions. Having said that, there is no room for complacency. Now is the time for government to develop a comprehensive plan that addresses our tax competitiveness on a short-, medium- and long-term basis.

Over the long term, the chamber believes it is critical that government continue to review the personal and corporate taxation rates compared to the competing jurisdictions and to ensure that B.C. maintains or even improves upon our comparative position.

[0915]

Over the medium term, our members have been clear that given our relative competitiveness with competing jurisdictions on personal and corporate tax, the priority for the government must be a focus on addressing many of the structural and sectoral anomalies that detract from our competitiveness and our ability to attract investment.

Our written submission outlines in detail the areas for action, but briefly they are.... Local property tax — members across the province are telling us that local property tax is now the single largest impediment to attracting new investment. Government must undertake a fundamental review of the system to create a fair and equitable system of funding for local governments. The chamber also calls for the reduction of PST and the phased elimination of the property transfer tax.

In the short term, capital tax is a particularly onerous form of taxation, as it plays a direct role in hampering investments on both the local and international scale. As such, the chamber believes it is critical that government immediately take steps to eliminate the capital tax on its large financial institutions. While it may seem that large financial institutions are an easy target given the perception of huge profits, the existence of a 3 percent capital tax simply results in banks either not choosing to invest in British Columbia in favour of Alberta, which has no tax, or Ontario, which has committed to phasing that tax out.

As the province looks to expand tourism's contribution to the provincial economy to achieve the ambitious goal of doubling tourism revenue to the province by the year 2015, the chamber believes that for a small investment the government can have a significant impact on increasing the ability of the industry to maximize revenue while allowing for increased reinvestment in their facilities, ultimately leading to higher revenues and visitor numbers. The chamber recommends that the government amend provincial legislation to introduce a PST exemption for in-room consumables to bring the industry in line with those of manufacturing industry exemptions.

On the issue of harmonization of the PST and the GST. The federal government has indicated a willingness to enter into negotiations with provinces on the harmonization

of sales tax with the view of improving efficiencies and reducing the cost burden to business of two separate collection and auditing processes. The chamber strongly urges the province to enter into these negotiations with the federal government on the harmonization of both taxes.

Some final comments on investing in our future. Infrastructure investment: the province has been consistent in its commitment to significant capital infrastructure investment programs. While this investment is necessary to address a long history of underinvestment, government must ensure that debt remains a priority of this government. While it's acceptable to borrow to build, this does not give the government carte blanche to spend on every project that catches a bureaucrat's eye.

The Finance Minister announced that departments have been ordered to lay out their ten-year capital plans. These will then be reviewed to determine what is affordable. This is an important initiative and one that the chamber urges government to complete as soon as possible. The chamber's been a strong supporter of the government's infrastructure investment. From Prince Rupert to the lower mainland gateway project and the recent announcement of funding for a Kitimat bulk terminal facility, the chamber continues to urge government to remain cognizant that this commitment is simply a down payment on our ability to serve as Canada's gateway to the Asia-Pacific.

The chamber will also continue to urge government to focus on areas where a return on investment exists in the sense of economic growth as an essential element in determining which projects are financed. This is particularly important for communities outside the lower mainland where local economies have developed and grown on the strength of our natural resources. In order to continue growing, we will need to facilitate access to and development of our resource base. Access to resources is the critical first step. Access from a permitting and regulatory perspective is being addressed. What we need is physical access and infrastructure. The chamber recommends that in areas where no infrastructure exists, the B.C. government needs to approach this lack of access as an investment in our future.

We would also urge the government to enhance its use of P3s, or the public-private partnerships. The key to P3s is their ability to transfer elements of the cost and the risk of major projects to the private sector.

In conclusion, the chamber believes there are four principles that address the questions posed by the consultation paper. Firstly, don't overspend. The revenue generated from the economy provides government with a strong fiscal platform but doesn't make any challenges go away all of a sudden.

[0920]

Secondly, don't raise taxes as a way to increase revenues. The legislative requirement to balance the budget combined with intense public pressure to increase public spending leads to a temptation to increase tax to boost public spending. This temptation must be resisted. Increasing tax would only hamper efforts to generate the economic and business growth needed to help expand and sustain the tax base in the future.

Thirdly, keep debt affordable. The ability of future generations to enjoy a high standard of living will be driven by the level of debt we leave future generations. The chamber also believes that while government has the fiscal capacity, it is incumbent on them to use this capacity to reduce the debt burden that we leave to future generations.

Fourthly, make strategic investments. Government must invest in areas that are tied to the province's productivity and competitiveness, such as taxation, infrastructure, education and skills, boosting investment and business activity, and fostering innovation. The chamber believes that now is the time to create an economic vision for the province that addresses the investment that we are looking to encourage.

Thank you very much.

**B. Ralston (Deputy Chair):** Thank you very much, John. You've taken the full 15 minutes. I appreciate it's a very big topic to try and compress your views into 15 minutes, but that doesn't allow us time for questions. We have your written brief, and the committee will consider that as part of its deliberations.

The next group is the Institute of Chartered Accountants of British Columbia, represented by Richard Rees.

Good morning. I believe you're the CEO?

**R. Rees:** I am, indeed. Yes.

**B. Ralston (Deputy Chair):** Very well. Go ahead.

**R. Rees:** You've taken my first line. I'm Richard Rees, and I've done this many times before and have met a number of you. Good morning, I'm the chief executive officer of the Institute of Chartered Accountants of B.C., and it is a pleasure to have the opportunity to talk to you about the budget prospects for 2007 and beyond. My organization is a body set up under legislation in British Columbia to educate and regulate 9,200 chartered accountants. We also have 1,300 students at the moment.

I've been travelling around the province in the last couple of weeks and talking to a lot of our members. Our members are very involved in business, whether in public practice through advising them on their affairs, or actually as senior financial officers within business. I get a lot of feedback about what's happening in the economy, what business is thinking about in terms of investment and what their plans are. So we use that to try and shape the material that we present to you.

In that regard, before getting into the recommendations for the 2007 budget, I should comment that the very positive business climate that we now have in British Columbia — there's no question from the feedback that I get from chartered accountants across the province — has helped to attract and retain investment in the province. Whilst economic growth is dependent on a myriad of factors — including interest rate levels, commodity prices and the general economic health of our trading partners — government policy is a very,

very important determinant as well. I realize that your deliberations are pivotal in terms of trying to make sure that the right decisions are made in the best interests of our province.

We recognize that the regulatory environment has evolved and improved in recent years, and as such, we have managed to create an attractive place to invest and do business. At the same time, though, I think we need to be careful not to be complacent. The institute publishes, and has published for seven years, a document called the *B.C. Check-Up*, where we try and look at how things are trending. I haven't been able to distribute the 2006 edition to you. You may have noticed from stories in the *Vancouver Sun* over the weekend that we are beginning to release the information, but the document is currently being printed. We will submit copies for everybody in conjunction with our final submission, which I believe is due by October 20. We will do that.

The checkup does continue to show — surprisingly, at a time when generally the optimism about the economy is very positive — that there are some key measures such as real disposable income where we are still below the national average. I think the message is that there is more work to be done to ensure that British Columbia takes its rightful place as one of the best places to live, work and invest in Canada.

[0925]

The recommendations that we want to make to you today really fall into three areas. First, we need to continue to enhance our competitiveness, particularly as we approach the freer trade with Alberta that has been proposed. Second, we need to increase our productivity levels. And third, we need a long-term fiscal management plan for the province.

In terms of enhancing competitiveness, our members are very supportive of the B.C.-Alberta trade, investment and labour mobility agreement, or TILMA, as it is called. I mentioned I'd been travelling. I've been in the interior of the province and regions that border the Alberta border. Again, I think this is seen as a very positive development. It's seen as a groundbreaking agreement that has the potential to increase both jobs and investment in the two provinces.

In order to maximize the benefits of the agreement, we believe that some competitive disadvantages that B.C. companies have in relation to Alberta will need to be addressed, including administration around the provincial sales tax and corporation tax levels. In terms of sales tax, you may know from previous submissions we've made that we have been advocates for the harmonization of federal and provincial sales taxes for some time. This recommendation takes on a renewed urgency within the TILMA framework, as the current system hampers our competitiveness by continuing to impose incremental administrative costs for business in B.C.

The current tax system requires businesses to administer two separate sales taxes, one at the provincial level and one at the federal. The lack of harmonized sales tax translates into three disadvantages for businesses.

First, B.C. businesses face a provincial sales tax that Alberta businesses do not. We recognize that this issue

is not resolvable in the short term — that Alberta, with its oil revenue, has an exceptional situation, and British Columbia does need those revenues to fund vital programs and services that British Columbians expect. Having said that, it is a challenge.

Second, B.C. businesses require separate record-keeping, recording and remittance for the PST and SST, creating unnecessary costs for accounting administration. In addition, businesses deal with two sets of auditors enforcing compliance at the federal and provincial level — a huge amount of red tape that, frankly, is not needed.

Third, provincial sales tax is paid on inputs — for example: business supplies, materials, etc. — and is not creditable against tax collected, which does impose additional costs on business. There was a comment made by the chairman of the Competition Council that maybe it was better that the consumers didn't see these costs. For that reason, the Competition Council did not recommend harmonization.

Last time I checked, any costs incurred by businesses ended up being paid by the consumer when they ultimately bought the product. I think there's some muddy economics going on there. To contend that it makes sense to load the cost onto business is false. It all ends up being paid for by the ultimate consumer, which is the public, so I really don't think that that is a rationale to not look at harmonization.

We would like to see a comprehensive review that examines the costs and benefits of harmonizing. We note from the public hearings.... There have been public hearings on the subject in the last few months that were convened by Minister Thorpe. I mean, the session I was at in Vancouver.... I kept a little scorecard. There were 19 presenters; 18 favoured harmonization. It's pretty clear where business is. Everybody is just saying: "Why are we filling in all these forms, month after month after month?" That's the way it is.

It should also be within the scope of such a survey to review and consider whether a made-in-B.C. value-added tax modelled after the GST is possible. This is an alternative to harmonization that still addresses the disadvantage related to input costs and is the policy course followed by Quebec. I know it's been an issue. I've talked to Rick Thorpe, and he's concerned that harmonization might transfer taxing authority. The government of Quebec had exactly the same situation. They resolved it by cutting a deal with the feds where they run the tax but follow the national rules. So it does seem to me that these problems are solvable.

Moving along, there's also work to do to keep our corporate tax rates competitive. As you may know, the Alberta government has pledged to reduce its corporate income tax rate to 8 percent in the near future, although no specific time line has been announced.

[0930]

We agree with the report of the B.C. Competition Council that B.C.'s corporate income tax rate should not exceed Alberta's by more than 25 percent. We're not advocating a race to the bottom, but at the same time you do have to recognize that there is a position

where, if you're so much higher, you're creating a differential that is a huge disincentive to investment, and that's just where you don't want to be. We therefore recommend that B.C.'s general corporate tax rate be lowered from 10 percent in anticipation of Alberta's pending reduction in the tax rate.

We also believe that you do need to look at phasing out the capital tax on financial institutions. Again, Alberta has no capital tax on financial institutions, and B.C.'s tax has been seen as unfriendly to investment and an inhibitor to growth. We fully supported the phasing out of corporate capital tax on general corporations earlier in this decade, and we now think you need to think about capital tax and financial institutions.

The capital tax is a tax on jobs and capital, in that part of the calculation for levying the tax is salaries paid in the province. It is interesting to note that in Alberta growth in the financial services sector has greatly exceeded growth in British Columbia, even allowing for Alberta's faster GDP growth. Investment capital is mobile, and this is another example of a tax regime that takes away investment dollars from this province — and jobs.

Increasing productivity. The next area I want to talk about is productivity. As you may know, B.C.'s productivity levels are lagging behind our competitors and the national average and have been for some time. This productivity gap will be noted in our *B.C. Check-Up* report this year; the B.C. Progress Board's report in April of this year, which discussed the province's productivity imperative, as they called it; and the report of the B.C. Competition Council, which also identified it.

The checkup report concluded that "improving productivity requires a greater investment in public and private infrastructure, faster technological innovation, and improvements in 'human capital' through education and training." An example of what's being done is something like the gateway program, and we encourage the government to continue making investments in needed infrastructure.

In terms of innovation, the government must continue to do what it can do to increase research and development in the province and think about whether it would be beneficial to enhance tax incentives for R-and-D spending. We also recognize that British Columbia is facing a serious skilled labour shortage, and while we have made some progress in post-secondary education in the province — I believe the checkup will show that we now have over 60 percent of the workforce with post-secondary education qualifications, which is up from about 55 percent — we are still, having said that, below the national average.

The efforts that are being made to open up additional education opportunities with the 25,000 new places.... Particularly, I'll say, from my own profession's point of view, we're very pleased with the university college initiative and the degree-granting status that has been given to regional economies. What we find is that students who are interested in our business generally, up to this point, have had to go to major centres for education, and it's very tough to get them back to

regional centres once they've been there — something about the big city, the lights of the big city. I don't know what it is. But now what we're seeing is that the emergence of degree-granting education in regional centres is terrific. We're seeing a large uptick in hiring by firms that are hiring out of those programs.

Again, I think that the moves that have been made should be continued. A continued focus on post-secondary education is a fundamental strategy that addresses the lack of skilled workers in the province and helps to address the productivity problem.

Fiscal management. Finally, I'd like to comment on the issue that the chartered accountants, again, have been concerned with for some time, and that is the management of the debt. Of course, surplus budgets have resulted in significant debt repayment by the government in recent years, and whilst we're supportive of your efforts in this regard, we believe the next logical step is to have a clearer long-term debt management and reduction strategy. We'd like to see you formalize debt management with long-term targets for debt reduction using the ratio of taxpayer-supported debt-to-GDP as a key benchmark. We feel it is reasonable and prudent to see a debt ratio decline to 10 percent or less in the next decade, as it is already forecast to drop to 13.9 percent by 2009-2010.

[0935]

We believe that a balanced approach between debt management and spending commitments is possible. Pro-growth measures such as competitive tax rates and infrastructure investments help to stimulate investment and job growth, which in turn generates revenue for the government. A long-term plan for debt levels helps to ensure that spending commitments are sustainable for future generations.

In the budget consultation paper the Finance Minister asked where we would wish the government to spend more and where we would wish the government to spend less. Our recommendations regarding competitive tax rates could be said to have a cost, but the experience of the last few years is that tax competitiveness encourages investments, fuels productivity and increases tax revenues. So we do not believe our recommendations will cost the government revenue.

Harmonizing sales tax regimes also has the potential to produce huge savings for the government in administration. In regard to where to allocate resources, we continue to advocate that you invest in education and innovation, but we will not try to be prescriptive in that regard.

Our organization does not feel qualified to comment on health and social spending. I spent ten years in the health sector myself. I'm very aware of it, and I'm not going to try and trump the experts who I know you will meet as part of this process and who will have a much better insight into the needs of important sectors like that.

Simplistically, we would say that maximizing the economic pie gives the government the greatest flexibility, and that should be your goal. Thank you for the opportunity to address you this morning.

**B. Ralston (Deputy Chair):** Thanks very much, Richard. Once again, you've used the full 15 minutes. I appreciate that it's difficult to compress remarks into that time frame, but that doesn't allow any time for questions. We'll look forward to receiving *B.C. Check-Up*. Is there a website on which people can check that?

**R. Rees:** It's [www.bccheckup.com](http://www.bccheckup.com).

**B. Ralston (Deputy Chair):** There we are.

**R. Rees:** It has been there for a number of years.

**B. Ralston (Deputy Chair):** I would like to call forward our next presenters: the B.C. Agriculture Council, represented by Steve Thomson, who is the executive director, and Dick Klein Geltink, who is the president. I'd also note for the record that Harry Bloy, the member for Burquitlam, is here, and Dave Hayer, the member for Surrey-Tynehead, is here now as well.

Good morning. It's good to see you again.

**D. Klein Geltink:** Good morning. In the interest of time, we have a handout. We'll go through some of it just highlighting certain points, and then, hopefully, we'll allow you questions after.

Thank you very much for the opportunity to be here. The Ag Council represents about 12,000 farmers and ranchers from all regions of the province. Our mandate is to provide leadership — taking the initiative in representing, promoting and advocating the collective interests of all agricultural producers in the province.

The B.C. ag industry is probably often overlooked and underestimated in our provincial economy. The agrifood industry generates \$35 billion in revenues, employs about 290,000 people provincially and accounts for 2.3 percent of the provincial GDP and 14 percent of the provincial workforce.

While being optimistic as an industry, we faced some significant challenges in this past year, some of which were the serious drought in the Peace River district, low market returns for the fruit sector when they continued to have increased dumping from U.S. counterparts, very significant downturns in the raspberry market and the continued impact of the whole BSE situation.

The agriculture industry has significant potential growth. While B.C. accounts for 13 percent of the Canadian population, we only account for 7 percent of the farm cash receipts and 8 percent of the food and beverage manufacturing shipments. Most importantly, agriculture is a stabilizing factor in many of the province's rural and regional economies.

Just a quick comment about the provincial ag plan. We very much support the initiative. On this second paper our concerns and some of our constraints are highlighted. We're looking for a very positive vision out of this initiative with agriculture supported by government and the consumers.

Turning the page, there are two slides here. One shows the exports. In the past we've always been told

to export and diversify. I think agriculture has done that, but you can also see the red line on the bottom where the incomes have not even kept pace closely.

[0940]

The last comment I have is on the last slide. That just shows you the GDP generated by each province in Canada and the expenditures that are put back into agriculture. If you'll go down the list of all the provinces, you'll see that we're second to last. We think there's huge potential for improvement.

Going to the next page, Steve will finish off on our presentation.

**S. Thomson:** Thank you, and good morning. This is a bit of a tag-team effort, so I'm going to comment on just a few of the key budget issues that we've highlighted, going forward, following Dick's introduction.

The first one we wanted to make a recommendation on is related to agriculture as a key determinant of health. We think programs and policies focused on the provincial ActNow initiative, in terms of making healthy choice the easy choice, is something where agriculture linked to health can contribute significantly to meeting the health care costs and challenges. So we're recommending continued program investment and support through the Ministry of Health in meeting this objective in conjunction with the agriculture industry and the Ministry of Agriculture and Lands.

We're also recommending that... As part of this, we feel that provincial reinvestment in a provincial branding program such as the former Buy B.C. program, a very successful program — or something similar, not necessarily the Buy B.C. program exactly as it was, but something similar — is something that needs to be focused on. It needs to be a priority as we go forward, and this needs to be done in partnership with primary producers, with the agrifood processing industry and with the retail community.

We've also flagged a major issue of concern, which is provincial funding in the business risk management programs under the agricultural policy framework. We anticipate... We're pretty aware that currently the Ministry of Agriculture and Lands is underfunded for full participation in the program, given the significant demands on the program as a result of some of the challenges that Dick mentioned before, in terms of the drought situations and continued dumping of product from U.S. competitors. Such things have created a lot of demand in that program, and it's currently underfunded.

Failure to provide adequate budget for the ministry for full participation in that program puts at risk a significant amount of federal funding under that program, because this is a cost-shared program, 40-60 provincial-federal — 40 percent provincial, 60 percent federal. Our failure to meet our full commitments and provide the adequate budget to participate in and meet the demands of that program will result in a significant loss of federal dollars, so we're recommending that the process ensure that the ministry has the adequate funding for full participation in that program to ensure that we receive our full share of federal funding commitments.

PST seems to be a favourite subject here this morning. We've been working very closely with the ministry of provincial revenue through the consultation process that Minister Thorpe has undertaken around PST. We have a proposal that has been developed looking for a significant change in the system, moving to an input-based rebate system as opposed to an exemption system, moving the onus from the retailers in the system to the producers, who are the primary beneficiaries of the current exemption.

We think this proposal meets a number of goals — improved efficiency; reduced cost of administration; removal of the onus on the retailer, which is something that the process that Minister Thorpe went through heard clearly — while maintaining the elements of the current system and broadening the benefits to producers.

We think this is a win-win for both government and the industry. We're recommending, provided the proposal gains industry and ministry of provincial revenue support — which we think it will; we're currently in consultation with our membership, and the ministry of provincial revenue is currently assessing the proposal — that government move quickly to implement the regulation changes and the administrative procedures in order to implement the proposal and the change.

Then we've listed a number of areas where we feel there are significant opportunities for growth in the industry. As Dick mentioned, we do see significant potential for growth, given the numbers in terms of our percentage of farm cash receipts, in terms of national receipts. We see opportunities in the bio-based economy, in biofuels and bioenergy. We see opportunities in effective utilization of Crown lands, particularly as part of the response to the mountain pine beetle mitigation and things. Agriculture can be part of rebuilding communities and support in those areas.

[0945]

We talk about secure funding for water, both in terms of supply and quality. Water is a key input for the industry, and we're facing significant challenges as a result of economic growth throughout the province, in terms of access to water. Investment's going to be required both in infrastructure, for storage and things, and in education relating to conservation and implementing measures for most effective utilization of the resource.

Biosecurity and food safety. Increased public investment is going to be required as a result of increasing consumer demands around biosecurity initiatives and food safety.

The Agriculture Council takes a lead role in leading the environmental farm planning program and the national farm stewardship program. This is a new initiative in B.C. under a federal-provincial agreement. It's about a \$21 million program that is due to expire March 31, 2008. Due to the fact that it was new in B.C., we got the program implemented. The uptake in the program is very encouraging, but there is a significant amount of resources that are going to go unexpended in that agreement as of March 31.

These are federal funding initiatives on a formula that's allocated to British Columbia. We want to make sure that we work with the ministry and with the provincial government in ensuring that those resources remain committed to British Columbia and that they don't lapse on the termination of the agreement, so that we can continue to do the good work in the agriculture environmental field.

Our overall recommendation is that the province work with the council and the industry through the provincial agriculture plan to adequately fund a strategic growth pillar in partnership with the federal government under the agricultural policy framework — the next generation, because the current program is being evaluated and ends on March 31, 2008. We feel we need a strategic focus on growth, strategic investment in research, to move forward on those significant growth opportunities that we've identified.

**B. Ralston (Deputy Chair):** Thank you very much, Steve. I have some questions from members.

**B. Simpson:** We're only allowed one question, so....

**B. Ralston (Deputy Chair):** And a short one.

**B. Simpson:** And a short one, apparently.

I'm just wondering, in terms of risk and vulnerabilities — you've tagged that in there from a risk management perspective — if the association is looking at the risks associated with climate change and doing a bit more long-term planning for the implications of what changes we might incur here.

**S. Thomson:** The short answer is yes. It's certainly something we are looking at. We don't have formal, specific policy on it now. We know we're starting to see what we feel are some of the impacts on it, and we think that it is going to result in possible changes down the road. What they are we're not sure. But I think, as you say, as a risk it's something that we need to keep our eye on in terms of developing future programming and future policies.

**D. Hayer:** Steve and Dick, have you been able to find out if your members have enough workers? Are they having a shortage of workers in the field? And any suggestions, if there's a shortage, of what type of program we should look at?

**S. Thomson:** Like all businesses in the province, we're facing the same shortages and pressures related to labour, both at the seasonal-labour level and at the management and skilled-labour level, up through the whole process. Those are certainly challenges.

We strongly support continued provincial support, although it's a federal program, for the seasonal agricultural worker program. That has been very successful, and the industry is taking steps now to provide stronger support in infrastructure ourselves to support that program.

The whole look at the immigrant program and all those kinds of things — they are something that we need to look at. It is a very serious issue, and we face the same challenges that other business groups do in terms of competition for labour.

**R. Hawes:** My question was around growth and, I guess, planning for growth. As I think you know, the regional growth management act dictates that regional districts lay out a growth management plan that would include industrial, commercial, residential growth and transportation but not an agricultural plan.

I don't know if you've been consulted anywhere with regional growth management plans, but would you think it would be beneficial to mandate that an agricultural component be in every one of these regional growth management plans?

[0950]

**S. Thomson:** I think the short.... The answer is yes. I think we certainly would, particularly since it would be a key component of supporting the provincial public policy of the agricultural land reserve and how that relates to regional growth and management strategies.

So I think the answer is, obviously, yes. As advocates and supporters of the industry, I think agriculture is a critical part of local economies and needs to be part of regional growth management strategies.

**B. Ralston (Deputy Chair):** I had one question myself. You mentioned on page 4 of your presentation provincial funding for full participation in the federal-provincial agreement for business risk management. In view of the demands there may be on such a program — particularly this year in view of drought in the north-east and other situations — do you have any idea of the amount of money that you're talking about in order that it be fully funded?

**S. Thomson:** No.

**B. Ralston (Deputy Chair):** That's a refreshing candour.

**S. Thomson:** That's why the number is not in there. That number is currently being looked at both by the ministry and ourselves to try to identify the magnitude of the situation this year.

As you know, under the federal-provincial agreement, the ministry, as part of the budget process, went in with a specific allocation over the five-year agreement that they signed for that program. It's our anticipation that they're not going to be able to fully fund the five-year agreement — that we will run out of funding in that program, potentially after year 4 or partway through year 5 in the program — and that the ministry is going to have to go back to Treasury Board and through the process for some additional allocation to that initial budget that was provided for B.C.'s participation in that agreement.

The magnitude — we're not quite sure yet. That assessment is being done, but we're flagging it as an issue because when the ministry comes forward to



Treasury Board, we're hoping there will be support for it. As we said, if we don't find that support provincially for our 40-percent share of that program, then we put at risk the 60-percent participation of the federal government in the overall partnership program.

**J. Kwan:** You mentioned the Buy B.C. initiative. What was the government's investment in the Buy B.C. initiative, and what are you looking for now to regenerate some sort of program like that?

**S. Thomson:** The initial investment.... The program had quite a long history. In the latter years of the program I think the annual investment was somewhere around \$2 million to \$2½ million, something like that, on an annual basis. That provided some core support for the program. There had previously been larger numbers in terms of the budget before that. As the program was developed and as you brought in stronger industry partnership and cost-sharing and things, it kind of levelled off at that level.

I think we're looking for something similar in terms of provincial investment. It obviously has to be in partnership with industry, food processors, retailers and everything. It has to be a partnership program to make it work. But it does require.... I think it's a very appropriate investment on the part of the province, to have some core foundation support for the program so that we can build the partnerships.

It all relates to Buy B.C., the ActNow initiative — positioning the industry with respect to 2010 and all the opportunities there. That's why we called it a provincial branding program — similar to Buy B.C., not necessarily specifically Buy B.C. We need to design a program that works, and we need to have provincial investment back into the program that currently isn't there.

**B. Ralston (Deputy Chair):** Thanks very much. That concludes the time that we have allotted for you. Great to see you.

I'll now call upon the city of Abbotsford, represented by Mayor George Ferguson and Councillor Bruce Beck. If you could come forward, please.

Good morning, Mr. Mayor.

**G. Ferguson:** Good morning. Welcome to the city of Abbotsford.

**B. Ralston (Deputy Chair):** I knew you were going to say that.

**G. Ferguson:** I usually would tell you that it's about the closest place that politicians get to heaven.

**B. Ralston (Deputy Chair):** I hadn't heard that one before. Away you go.

[0955]

**G. Ferguson:** I told that to Mr. Trudeau one day. Anyhow, it's great to have you out here this morning, on an all-party committee that's out here today to look

at some of the problems that are facing the province. Again, I'd like to congratulate the government on how the economy has boomed in the last few years — and, also, looking forward to it increasing in the coming years. One of the issues — and I guess we should be thankful, also.... But we all have problems, and I guess we should be grateful that the economy is as buoyant as it is at this present time in the province. Hopefully, we can keep it on that track.

I'd like to thank you for the opportunity to appear here this morning at the Select Standing Committee on Finance and Government Services. I am responding to the province's request for input into B.C.'s financial choices. I'd like to say that I have Councillor Beck with me this morning. I will go through here, and then Councillor Beck will have some comments and remarks to make. I know we have a time frame to work within.

Like the province, our city strives to improve services to our citizens, our standards of living and the strength of our community. We are proud of our proven track record, working cooperatively with the province to overcome major challenges. For example, we partnered with the province to complete the Mount Lehman interchange on time and on budget, expanded the Abbotsford International Airport. We worked closely with the new hospital consortium to ensure that the desperately needed facility will be open in the year 2008.

Those are all pluses that we've had. Also, we have the Mission-Sumas highway, which is being worked on at the present time and has been long overdue, just like the hospital. At one time.... I think we spent about 12 or 15 years getting it, and I think I went to three sod-turning ceremonies. The last time I told them: "Don't ask me to come to any more unless we're pouring cement." That happened this spring, so it's on stream, and as I understand it, it's under budget and ahead of construction. So it's a plus.

We believe that it is surely through partnerships like these, collectively, that we receive the biggest bang for the buck. We appreciate the opportunity we heard today, and we hope the province will respond to some of our suggestions. Here are some of the budget suggestions for the province.

Balanced provincial budgets. Local governments are required by provincial legislation to balance their annual budgets. There should be a similar legislation that would require the province to do the same. We must ensure that we do not burden future generations with debts caused by living beyond our means.

Ensure that all areas of the province are treated equitably. There seems to be some inequities in the way the province's funds are allocated. Various funding programs are announced, and Abbotsford applies in accordance with the published criteria. We play by the rules. Unfortunately, we hear that other communities in the province receive funding, apparently, without having to apply to comply with the published criteria. Every community has valid funding shortages. We ask that the province ensures that communities like Abbotsford get their fair share through the transparent process of funding allocations.

Keep funding arrangements simple. We applaud the province's efforts to partner with the federal government to provide funding assistance to local B.C. governments. It's about time that more federal dollars were spent in B.C.

The federal government, in response to requests for funding to support aging infrastructure, announced a new deal for cities and communities and provided B.C. with \$636 million for that program. The amount was calculated on the per-capita basis as a share of the federally collected fuel tax. This is a simple calculation, but when it comes to the distribution of the funds, a complex formula was developed which restricted the funds to projects, many of which may have nothing to do with fuel consumption.

An agreement was reached in September of 2005 with the UBCM to administrate these funds. Here we are in October 2006, and some of the criteria have yet to be released. During this time, construction costs rose substantially, decreasing the number of possible projects. There needs to be a simple way of distributing these funds quickly to where they are needed.

[1000]

Resolve the regional inequities — transit. The Greater Vancouver regional district and the capital regional district receive a share of our provincial gas tax. This provides them with a known, dependable amount of annual funding to support their transit system. Abbotsford-Mission regional transit must rely on provincial grants. Unfortunately, the province arbitrarily capped these grants, forcing the city to scramble to maintain transit services. This was particularly difficult given the recent rise in fuel prices. The regional transit system should be treated the same.

In this case, we became a city in '95 — basically, in the 11th year — and yet we find ourselves, as the fifth-largest city in the province.... We have a system that includes 17 buses, and we have the comparison with a place like Kelowna, which was a city for a longer period of time, obviously. But they have 30-some-odd buses.

If we want to make transit work, you've got to be able to provide service so that people can use when they need it. And that's really not the situation we have in Abbotsford at the present time.

Like I say, we are the fifth-largest city, and I think, with Mission, we need a regional bus service. We should look at it from the regional point of view, just as we're looking at it from the health point of view. We have a regional health point of view, and I think we need a regional bus service in the area.

Somebody, say in Mission, an older couple.... Right now the regional health service, the eye specialists hospital is in Chilliwack. So our older couple in Mission — they've lost their driver's licence, and they haven't any basic way to get around other than to either hire a taxi or a friend. That's the way they get to Chilliwack to get service.

I think that in this day and age we should have a bus service that would give that, not only in Abbotsford

and Mission but also tie in to Chilliwack and to Aldergrove, and Aldergrove would then tie in to the Langley system, and then you would be able to tie in to SkyTrain through Langley and Surrey. If we look at that in a regional concept, we could give a lot better service to the people. That's just aside.

Regional roads. Sumas Way, Harris and Huntingdon roads are maintained solely by the city. They play a significant role in regional, border and commercial traffic. These roads connect to regional roads in Langley, which are part of the GVRD, which as I explained, receive provincial fuel tax to support these roads. Regional roads should receive the same financial support.

Municipal policing. The RCMP detachment receives 10 percent of their policing costs as part of the federal-provincial policing arrangement. Municipal forces receive nothing, even though Abbotsford, for instance, provides the policing of federal jurisdictions — the Number 1, the U.S. border. Our police force also spends a fair amount of time with our local native band.

We have an arrangement with the Matsqui band, but we also get involved with the Sumas band. Their policing would come out of Mission or Chilliwack, but in that time arrangement the police departments work together. Many times our police spend their time in the Kilgard band area, and we get no compensation for that at all. So I think there is some justification.

I might say that during the time of the NDP government, one year they gave us the equivalent of what the RCMP were receiving. Abbotsford at that time got \$380,000 that year. So that was us getting the same amount of money as the RCMP got. With \$380,000 you could hire a few more policemen.

That would make it equal. We're all dealing with the same problem. It's crime. There's no question about that. It doesn't matter which police force it is. They're all doing a good job, but they've got to have policemen to be able to solve the problems today. I think that should be given some consideration.

**B. Ralston (Deputy Chair):** Mr. Mayor, you're about ten minutes in, and there are another five minutes to go. I'm not sure if you're portioning between your councillor there.

[1005]

**G. Ferguson:** I'll be through that. I want Mr. Beck to make a few remarks.

Provincial support on social issues. Provincial funding should be provided for communities like Abbotsford, for social issues such as the homeless and rehabilitation centres for drug and alcohol addictions. Cities have not historically funded these services and cannot provide what's needed without provincial support. The city is willing to share.

Casino revenues should be shared regionally. Currently most casino revenue-sharing is in the host community, even though the casino patrons often come from the neighbouring communities. The dollar amounts involved can be substantial, offering the host community a large financial advantage over the

neighbouring communities. Casino revenue-sharing should be done regionally.

I'd like to thank you for this opportunity to speak. I'll turn it over to Mr. Beck for some comments that he would like to make.

**B. Beck:** Good morning, panel. As you're in a community that has a well-deserved reputation as the Bible Belt, I hope you will indulge me in starting my remarks by saying amen to everything the mayor has said.

Unlike what will likely be most of your delegations appearing before you this morning asking for money, I'd like to start my brief remarks with a thank-you. Thank you to the provincial government for the opportunity in the past to have successful partnerships between itself and the city of Abbotsford. The mayor mentioned a few of them. The Abbotsford hospital is being built on budget, on time. Mount Lehman was built on budget, on time, with the city delivering the project, and it won an award as the outstanding project in 2005.

Whether the investments the province makes in the city are large or small, we seem to have success. A small investment of \$80,000 on the part of the province — a one-time investment last year — allowed for the creation of the public safety inspection team initiative, which has now created a blueprint for every community in this province to address the scourge of residential grow ops. The city of Abbotsford has reduced grow op-related fires by 86 percent in less than a year.

Thank you for the previous opportunities that we've had as a city to partner with you. In that spirit, I present you with an opportunity for another exciting partnership.

In less than 60 days the residents of Abbotsford will be deciding on whether or not an investment of \$85 million in basic social infrastructure should be made in this community. Investments in sports; investments in arts, culture and heritage; investments in UCFV — which, as an aside, should be a full-fledged university, and I'm sure you'll be hearing about that repeatedly throughout the day.

As we look around the province at other models, we see the city of Vancouver and Whistler — communities that have world-class facilities already — seeing partnerships to the tune of hundreds of millions of dollars to bring the world here in 2010. We applaud the province for that vision.

If we look to the north, we see smaller communities like Penticton that are engaging in similar projects, who already have commitments of tens of millions of dollars of the province's money in partnership. In the city of Abbotsford today, as we are on the eve of moving forward as a city, we have no commitment and no indication that the province is prepared to partner financially.

If a city as large as Vancouver can warrant hundreds of millions of dollars in investments, if a community as small as Penticton can warrant tens of millions of dollars.... Echoing the mayor's comments, it seems that on the basis

of fairness alone, the fastest-growing city not in the lower mainland, not in the province of British Columbia, but in all of Canada is worthy of an equal — not above average but average — share of financial resources of the province as we provide basic necessary social infrastructure to what is now the fastest-growing community in the country, whose growth rates are increasing, not decreasing. With that, I'll bring my remarks to a close.

**D. Hayer:** Very good presentation from both of you. My question is about revenue from the fines. The province has said they're putting back 100 percent to the municipalities and cities. How much does Abbotsford city receive, and what type of things is it used for?

**B. Beck:** You're talking about traffic fines, sir?

**D. Hayer:** Yeah, traffic fines — the fines that police are giving out.

**B. Beck:** It's less than half a million under our last budget, and 100 percent of that was applied to our police budget. It was insufficient to provide the necessary incremental increase in the first year we received it.

**R. Hawes:** The annexation of Sumas Mountain is, I think, proceeding, and along with that, the aggregate reserve on Sumas Mountain, which will provide a pretty good source of revenue....

George, I know you're aware there's been a pilot project underway in the Fraser Valley looking at how to bring peace in the aggregate industry and also increase revenue to municipalities from aggregate. That seems to have stalled at the regional district level. Do you have any idea where that's going?

[1010]

**G. Ferguson:** I guess the situation is that at the regional level, there's a court case on the books on one issue. The other one that has had some bearing on it is to see what happens with electoral area H becoming part of the city. As you said, we understand that it's going to be coming forward.

The big problem there is that when they were in the unorganized area of electoral H, they didn't pay royalties, yet they were using our roads. That's been a big stumbling block in many areas across the province. I know the government did a study on it.

At this point in time that has some bearing when you talk about it regionally — the Fraser Valley regional district — because of what happens with electoral H. If that doesn't go ahead, then I understand that the court case will go ahead.

**B. Ralston (Deputy Chair):** Thank you very much, Mr. Mayor and Councillor Beck. Thanks for your presentation.

**B. Beck:** Thank you. Enjoy your stay in Abbotsford.

**G. Ferguson:** Have a good day, and come back often.

**B. Ralston (Deputy Chair):** The next presentation is from Western Keltic Mines Inc. Donald McInnes, director, is going to be presenting on behalf of that company.

Good morning. I understand that you're also representing the Northwest Powerline Coalition.

**D. McInnes:** Generally exploration issues, Mr. Chair.

Thank you for the opportunity to present to you today. I apologize for not being here.... I took a wrong turn off the exit.

**B. Ralston (Deputy Chair):** I wasn't going to mention it, but now you have. No problem. You're here now.

**D. McInnes:** The presentation before you has been added to. I think you may be familiar with some of the information, as other people from the minerals industry have been presenting to the committee. This is my fourth presentation to the committee over the last few years, so I'm not a stranger to you.

The first page just talks about five great goals for a golden decade, which was the government's plan. I think the minerals industry is uniquely suited to address and help be a solution to meeting all five of those golden decade goals.

We've done a lot of things to help the province get towards achieving those goals over the last few years, especially as our industry has become a lot more robust. Half of the mining projects in the environmental assessment process in Canada right now are located in British Columbia. That's a tremendous change from where we were in the 1990s.

At the end of the 1990s there was only one mining project in the mine review process. So we've made tremendous progress as an industry in redeploying capital to becoming more competitive. We're building on what I would suggest is a tremendous amount of good government policy, which has allowed the community to have faith that the province is in fact serious about making a contribution.

The next slide talks about economic facts. I think you've been presented with this data before, so I won't review that. I really want to skip through this. If you look at the graph on B.C. mineral exploration expenditures, British Columbia has historically had 12 percent of the money spent in Canada on exploration. In the 1990s that fell down to 4 percent.

The global exploration community was spending less money everywhere, but British Columbia lost a tremendous amount of ground in the 1990s vis-à-vis other Canadian jurisdictions. It's only good government policy that allows companies that are very transportable with their investment dollars to focus on a particular jurisdiction and make the long-term investments that our industry requires to find new mines and then develop them.

I'm happy to say that our industry today is spending northward of 15 percent of Canadian exploration expenditures in British Columbia, and it's because of

the good foundation that we've re-established here. I want to encourage your government to continue to build on that.

The pine beetle is a very serious problem for the central part of our province. The minerals industry thinks that we are uniquely situated to be a big part of the solution there. Geoscience B.C. — which is a non-partisan, non-governmental organization that was co-founded by the Association for Mineral Exploration with funding from the provincial government — has done a tremendous amount to attract exploration dollars into the devastated heartland in the middle of our province.

If you flip through the slides, you'll see four things that we want to focus on: geoscience tax incentives, education, training and aboriginal benefits from mining. I really want to focus on the first and last of those for the remainder of my remarks.

[1015]

Just to give you an idea of how successful the exploration community has been in just one year of focused attention on finding new mineral deposits in the peak pine beetle kill area, I provide for you a September 28 article from the *Vancouver Sun* talking about a tremendous amount of success we've had really in only one year of work in the pine beetle area. If the mineral industry is given the encouragement and good government policy to encourage it to spend money, I think we'll be able to provide the dollars that are required to go and find the mines of tomorrow. That just gives you an idea of what good government policy does and what the industry can do with our money to complement good policy.

Now, if you look at government programs to stimulate things, Quebec and Manitoba, to speak to two jurisdictions that we'd like to be competitive against, have very aggressive government policies on providing tax holidays for new mines found in remote areas of their provinces. Part of the exploration mining community's pitch to your committee is that we really need to get in step with our neighbours in Canada and implement some very aggressive tax programs that will help stimulate the significant dollars that are required to fund new mine building.

I'm going to skip over the rest of this information to the last part of the thing that I want to spend a minute touching on, and that is revenue-sharing with first nations. This is not a theme that should be new to government. Currently the government is doing revenue-sharing in the forestry industry with first nations to the tune of \$508 per band member in bands that have signed on to participate in revenue-sharing through stumpage. I think that the government has to take a serious, hard look at doing revenue-sharing with first nations in resource industries — whether it's in mining, continue in forestry or, for example, in run-of-river hydro power.

All too often aboriginal communities and their legal teams end up using resource development and the permitting process as a tool in their quest for native right and title. I've included in this briefing for you some excerpts from the New Relationship document,

part of which talk about economic benefits to first nations and revenue-sharing. The government has done it in the forestry industry in stumpage, as I said, and I think it's high time that we helped bring certainty to first nations, which will bring certainty to all investors and all British Columbians, by implementing a revenue-sharing program for first nations as concerns all resource development.

The northwest part of the province in my moniker was the Northwest Powerline Coalition. We've been encouraging the government to lay the foundation for infrastructure development in the north by funding the establishment of a power line up Highway 37, where many of these new mines in the mine permitting process are located. The Tahltan have been very party to and key in reaching an agreement on opening up the northwest, and they've been using the environmental assessment process as a tool in their quest for aboriginal right and title in comanagement of the land. I think we need to take away the uncertainty about the ability for first nations to participate in the growth and prosperity of the province and separate that issue from the permitting process, which is all too hard unto itself.

The New Relationship document talks about this. When *The New Relationship* came out, it was with great fanfare, but it's been used as a delaying mechanism as the expectation levels for first nations were tremendously increased, holding out for what this new relationship was going to be.

I work in the minerals sector as well as power development. My other company, Plutonic Power, was recently awarded two contracts for B.C. Hydro, and in our negotiations with first nations in trying to get through the environmental assessment process, it's really coming down to: how big is the cheque going to be?

In my power company I've got a \$500 million power project, a renewable energy project that's being delayed because of an inability to get to yes on what revenue-sharing might be between our company and the first nation. I think that all resource development would be greatly expedited if the government got a little more aggressive on finalizing how first nations are going to properly participate in wealth creation in our province.

There are some other interesting clippings in here for you. Clarence Louie apparently doesn't like the fact that he was quoted in the *Globe and Mail* by Roy MacGregor in a speech he gave to first nations involved in the tar sands. I think you'll find the article very enlightening. It's called "Indian Time Doesn't Cut It" anymore. Don Cayo in the *Vancouver Sun*, in an editorial, talked about how treaty negotiators really are the problem in getting to yes with first nations.

[1020]

I think the government has got to look at this area with a tremendous amount of speed to try to bring resolution to this very uncertain thing that is affecting resource development in our province. Thank you.

**H. Bloy:** Sorry I had to miss part of your presentation. What would the cost be to government, do you think, on the cost-sharing with the aboriginal...?

**D. McInnes:** It's a difficult question. You can look at first nations. For instance, when Jerry Asp first became chief of the Tahltan Nation, they had 98-percent unemployment and were living off of government. Last year the Tahltan Nation actually sent money back to Ottawa on their funding arrangement, because they couldn't spend it all, because they were basically fully employed.

While there may be a sharing of tax revenue or water rental, if it's a power project or whatever, directly with the first nation, the bigger picture here is that the first nation communities will become self-sufficient and self-funding, especially if their members are out working. It'll help on health care costs. It'll help on family issues, social development issues, educational issues. If people don't have a reason to get out of bed in the morning and participate in the economy, they aren't going to be contributing and they're going to be a parasite on the whole system and the rest of everything. If we give first nations their proper due — and I don't know what the measurement of that really should be — they will become enthusiastic and tremendous contributors.

The Tahltan are doing a fantastic job in the northwest on providing services to the minerals industry, whether it's in concentrate haulage.... I think 40 percent of the workforce at the Eskay Creek mine are Tahltan people. That's direct employment. I think we have to separate using the permitting process from the aboriginal rights and title thing. That will greatly improve industry's ability to know that the landscape for investment is certain, and it will allow first nations to start doing some true nation-building, and they can get development corporations funded and invest in further jobs and opportunities for their members.

Your government recently donated half a million dollars to BCIT for a directly focused first nations education program. With education and economic opportunity comes general social well-being. I think that all of this should be done as soon as possible to take out the uncertainty for first nation peoples, which obviously will benefit private industry, like myself, and government. But it's time we just got on with it. The rhetoric around things like revenue-sharing, etc., drags on forever, and it's not helpful to anybody while this is overhanging us. The government has done a good job in bringing some certainty on the forestry file. It's time for the other resource industries to see the same level of certainty.

**R. Lee:** Thank you for the presentation. What kind of projects do you think Geoscience B.C. should do with the investment increase?

**D. McInnes:** Well, they're doing things that the geological survey branch has not traditionally been able to do because it's a government agency and it has to be seen as completely impartial. What Geoscience B.C. has been doing is partnering with different companies and leveraging their dollars with the company's dollars on doing broader, more intensive programs which are leading to quite fast results. The model for this is taken out of the forestry industry. It's called

FERIC, the Forest Engineering Research Institute, located out at UBC.

We've had some tremendous success so far, but as the minerals industry has matured, there's been very little money spent on the early stage, grassroots exploration, which is the backbone of finding new discoveries. The pine beetle area is unique in that it's generally heavily glaciated, so unlike the mountainous parts of our province where you've got a lot of rock outcrop that you can go and see a copper showing or a gold showing or whatever it is, this area is completely hidden. You need different techniques to go and find the hidden ore deposits that are under there.

The finds can be absolutely tremendous. The Endako mine, which is Canada's only pure molybdenum mine, located near Vanderhoof, is in that area, and it was a blind discovery. But it's also close to existing infrastructure. The rest of the Nechako Plateau is generally glaciated and inaccessible because of roads, so we need to stimulate the opportunity here through pure geoscience, and it's been very successful thus far.

[1025]

**D. Hayer:** Thank you very much, Don. I hear some people saying the only reason you invest more money in mines is because natural resource prices are high. My question is: is it only about natural resources prices, or does it also affect the government policies? If the natural resource prices were coming down, would the mines still continue to invest in British Columbia? How long does it take them from the time they start to the opening of the mine?

**D. McInnes:** Each discovery is different in terms of when it may be put into production. Metal prices are obviously very key in making the economics for any discovery work. However, the minerals industry can be very transportable.

Lately you've seen governments in Venezuela, Peru, Zimbabwe, just to name three that come quickly to mind — and in Mongolia — that are saying: "We want 25, 30 or 50 percent of any new mine built in our country." The investment dollars are immediately leaving those countries, and the investing global exploration community has very little faith in jurisdictions like that.

In British Columbia we had a tremendous problem in the 1990s on access to the land. The minerals industry didn't know where we were allowed to explore and where we weren't allowed to explore. That led to a tremendous flight of capital out of our province, and that's when exploration dollars in Canada dropped from our traditional 12 percent of Canadian dollars down to 4 percent. Better government policy and land use certainty have come back over the last five or six years, and as a result, exploration in British Columbia has gone back to 15 percent of Canadian expenditures from that low of 4 percent. Good government policy is directly linked to the amount of exploration dollars that will be spent in the province.

A lot of the mines in the environmental assessment process today are very advanced and very large. The

largest project going right now is called Galore Creek. It represents a deposit that was known about historically in the 1960s and 1970s, but because of its location it hasn't been put into production. Robust metal prices are helping, but this is going to be a \$1.2 billion U.S. investment in an area that's currently about 150 kilometres from the nearest road. The infrastructure investment that the company is proposing is absolutely massive. Barrick is in the middle of trying to buy the company that owns that today.

This is up in Tahltan country, and so getting to yes has really been difficult. A long-term negotiation with the Tahltan has been going on because they want to have a piece of the action. That's what has been a great delay mechanism on why the power line hasn't been built up Highway 37, which is the only part of the province without electricity today. Yet it holds probably the greatest endowment of mineral deposits that could be economic if there was the infrastructure in the area.

**B. Ralston (Deputy Chair):** There are other questions, but unfortunately the time has lapsed. You've excited a lot of interest among committee members, and I'm sure they'll pursue it in other ways and in our discussion. Thank you very much for your presentation.

The next presenter is on behalf of the University College of the Fraser Valley — Scott Fast.

**S. Fast:** Good morning, and thank you for the opportunity to present. The paper being put before you is essentially the notes from which I am speaking. There is nothing separate.

I'm here today representing the 830 faculty and staff at the University College of the Fraser Valley, but more importantly, I'm representing the need for post-secondary education in the Fraser Valley. The University College of the Fraser Valley operates three campuses in this region — one in Abbotsford, one in Chilliwack and one in Mission. We have offices in Hope and Agassiz.

I want to talk to you about how your work in recommending priorities for the 2007 provincial budget fits with the needs for better post-secondary education opportunities in the Fraser Valley, but I'd like to fill you in a little bit about the University College of the Fraser Valley.

We've been serving students here since 1974 when we started as Fraser Valley College. We have from that time prided ourselves on being a comprehensive post-secondary institution that offers a broad range of programs including developmental education programs; university degree and university transfer courses; career, technical and certificate programs; as well as apprenticeship and trades training.

[1030]

We've grown as the population of the Fraser Valley has grown, and in the last academic year we served 10,854 students with roughly 8,000 enrolled in university-level programs. UCFV now offers more than 80 programs that meet regional needs, from development and trades training to bachelor's and master's degrees. By 2030, based on regional population growth and increasing

participation rates, we could well enrol close to 20,000 students.

Not only is the Fraser Valley one of the fastest-growing regions in all of Canada, if not the fastest-growing, but in addition what makes us interesting is that our 18-to-24-year-old population in this region is growing six times faster than the provincial average. So the baby boom or echo boom kinds of demographics are not striking the Fraser Valley like they're striking much of the rest of the province. In addition, there are many thousands of mature students with jobs and families in the Fraser Valley who need access to post-secondary education to advance their skills and qualifications and to enhance their employment opportunities.

If indeed we have grown and served — and, we think, served well — an increasing number of students from all backgrounds and ages with an increasing number of programs and diplomas, certificates and degrees.... Nonetheless, not all students have been well-served, and many students are not being served at all. I'd like to add here that UCFV is unique, or relatively unique, in that we have always outproduced our FTEs. We've always produced more than 100 percent of our FTEs.

It should be noted that the rate of university education, as measured in the 2001 Abbotsford census metropolitan area, was only 11.6 percent as compared to 30.3 percent in Ottawa-Hull. The low percentage of university graduates in not only the Abbotsford census metropolitan area but even more so in Chilliwack and up the valley is a historic inequality that's increasingly viewed as a barrier to economic growth in the region.

I noted earlier that the growth rate of the 18-to-24 group is six times the provincial average. When you factor in low participation rates in post-secondary education with our population growth, it becomes clear that in the Fraser Valley there are now, and will continue to be, many students who require but do not have access to post-secondary educational opportunity.

Presently, for example, we are turning away entire cohorts of students in business, nursing and KPE. We're not talking about turning away some students; we're talking about entire cohorts of students that would be working their way through the program.

For potential post-secondary students in this region, affordability is a major barrier. When the provincial government deregulated tuition fees in 2002, fees skyrocketed, and most program fees have doubled since then. Many have risen much higher than that.

The effect on students, speaking generally — and I'll focus in a moment on particular groups of students — is far-reaching. Many have taken on what can only be described as punitive debts just to complete their programs. Others have been discouraged from enrolling or from completing their post-secondary education. Still others have tried to burn the candle at both ends by dropping back to part-time studies while working at various jobs to make ends meet. I see these results in my classroom, where talented students fall behind because they're being squeezed between rising tuition fees and long work hours.

High tuition rates are especially problematic for particular groups of potential students. Students working full-time, supporting families and trying to obtain their objectives a course or two at a time — one of the things that we have historically been very proud of — often find that the combination of tuition and the increasing costs of course materials strains family budgets to the breaking point.

[1035]

This has a special role to play, I think, for Fraser Valley citizens who need English-as-a-second-language courses and college and career preparation courses to prepare them for further secondary training. I might note that if ESL has in the past been a way in which immigrant populations learned enough English to get around town, ESL has increasingly become something where people really need to master English so that they can take advanced technical and other studies. That becomes more and more important.

In fact, we have a number of students who try to make the jump to university courses before they've had sufficient development of their ESL skills in order to try to save money. Many of those students are doomed to disappointment simply because they haven't had the opportunity to really develop those skills so that they can be functioning students.

At the institution level there has been an ongoing funding crunch because operating grants from the provincial government have not kept pace with either growing demands or basic needs. Just to put that funding crunch into a little perspective, we need to note that since 2001 the annual budget for the Ministry of Advanced Education has increased by 9.6 percent while inflation has grown by 12.9 percent, according to the Ministry of Finance. So we're falling behind, and our students and, we believe, ultimately the economy in the Fraser Valley pay the price.

I know that other presenters have talked about the province's looming skills shortage from the point of view of both educators and private sector employers. Let me just add to those comments by saying that policy and funding choices over the last five years are moving in the wrong direction, in our opinion, if we hope to successfully address this shortage in the years ahead.

Higher tuition fees and chronic underfunding are making it more difficult to get the skills we need, and this is happening at a time when the demand for those skills is increasing. There is a serious disconnect between these two forces, and we're hoping that the committee will recognize that the budget in 2007 needs to tackle these issues directly.

I said at the outset of my remarks that I wanted this committee to develop workable solutions to some of the problems I've outlined. Clearly, better funding is part of the answer, but I would ask the committee members to give serious consideration to the following six recommendations that I and many others believe could make a substantial difference to post-secondary education opportunities in this region. They're listed here.

First, increase post-secondary institution operating grants to ensure that our public post-secondary education

system has the programs and options necessary to support higher enrolments.

Second, make all adult basic education delivered in our post-secondary system tuition-free for all, and use targeted funding to support publicly delivered ESL programs for adult learners. We're not going to get these people into the economy as active taxpaying members until they can get the kind of education that's required to participate in and compete in today's knowledge-based economy.

Third, we would like a reduction of tuition fees. We support a proposal advanced by the Canadian Federation of Students, who are calling for a 10-percent reduction in current tuition fees.

Fourth, we would propose to fund and use the capacity of the existing public post-secondary education system to deliver both entry-level and apprenticeship training.

Fifth, we would like to see some improvement in the student grant programs so that students are not forced to take on more debt to access or complete their post-secondary education.

Sixth, enable and fund colleges and university colleges to provide lower-cost university degree and transfer programs in their areas.

Thank you for your time, and I'll be pleased to answer any questions from the committee.

[1040]

**H. Bloy:** Thank you for your presentation. I've said this before, but I always find that from the colleges it's much more negative opinions that are expressed than from the actual universities, where they believe they'll break even next year in their funding.

I find it hard when funding is at an all-time high and student enrolment is at an all-time high, full-time and part-time, in British Columbia.... There is still work to do, but the dollars are going there, and I assume it's the way that it's managed.

I just wanted to make that point. There's no real question. I just find that the difference in the opinions expressed is quite wide between colleges and universities.

**S. Fast:** Well, I presume that's because some parties feel they're getting what they need to serve their students, and other parties don't. I can only say that by your own measurements, our institution is one that's been producing 100 percent or greater of its FTE allotment — that is, we've been teaching more students than we've been funded to teach — for a number of years.

**H. Bloy:** Are you full this year?

**B. Ralston (Deputy Chair):** We're not engaged in a dialogue here. There are other questioners.

**S. Fast:** Well, we're more than full in that we're turning some students away.

**H. Bloy:** In some programs.

**S. Fast:** Yes, and not just odd students here and there. In terms of business, KPE and nursing, we could take on additional cohorts. It seems that in nursing we could take on almost as many students as we could possibly provide seats for.

**R. Hawes:** Mine is a two-part question. The first part is with respect to two of your asks.

**B. Ralston (Deputy Chair):** Pose just one question, please.

**R. Hawes:** It's one question that has two parts.

With respect to the grant program you've mentioned in here, it's moved to something that's a little bit more addressing reality in that there are loan reductions based on your success, which is the way life kind of works. You get paid after the fact and not before. I wonder if you could comment on that.

Secondly, your request for the 10-percent reduction, as the student federation is asking for. I'm presuming that would make a difference of anywhere from \$200 to \$400 a year maximum on a full course load going to the University College of the Fraser Valley for any given student.

I'm still struggling to see where a reduction of \$200 a year is going to improve student participation. I can't envision a student who has so little initiative that \$200 would take him out of university — that he would leave the university setting for the want of \$200 a year.

**S. Fast:** The first part of your single question first and then the second part second.

For students who essentially live residentially and can afford to do that — that is, go off to university — tuition, I will concede, constitutes a relatively minor part of that overall cost. One of the things about regional colleges and university colleges is that they serve people in the local community, and many of those people begin their studies or often do the better part of them piecemeal as they can afford it and work it into their financial lives.

For people on low income, the notion that you would pay upfront, which is your problem.... You don't have a job. You don't have the training. You're in a low-paying job. You're in a part-time job, or you're in a series of part-time jobs. It's for those students that sometimes several hundreds of dollars can make a difference on the decision of whether you're going to take one class or no classes or two classes this term.

Our concern is, again, that the groups that this affects especially are those people who are trying to do their college preparation to try to get the skills they need in order to be successful at university. They're often the people in the lowest-paying jobs who are struggling the hardest to get by.

[1045]

I know at this point I'm at the top of the scale, and my kids have grown up. Yeah, I'm at a point where I probably could help them. But most of us aren't at the top of the scale, and our kids aren't grown up. There



are people for whom this is just a matter of: "Can I make these payments this month? Can I register for college, and then can I pay the rent? Can I register for college and have a sufficient amount of food? Can I register for college and still afford the automobile that will be required to get me to campus?"

Those are practical, day-to-day budget decisions that I know a number of us don't face. One of the reasons we don't face them is because we have good educations. They have given us employment opportunities and have given us an income where we've got a little bit of margin to allocate to various priorities.

Those become the students that we're most concerned with. My daughter and her husband ran up \$120,000 worth of student loans to get through their professional degrees. My daughter is a lawyer, and he's a successful architect, so it was a real good deal for them.

Usually the notion of student loans or student grants, or whatever it may be, is that you're going to have access to the money, so you can afford to get the education that will allow you to make the money to then pay back, to some degree, that indebtedness.

**B. Ralston (Deputy Chair):** I think I'm going to have to interrupt the question-and-answer here. I think the time has elapsed.

I know it was only one question and only one answer, but we did get a very full discussion going there. So thanks very much for your presentation and your response to questions. The committee will consider your views, along with the views of others, in preparing our report.

The next presenter is David Hull, on behalf of the Abbotsford Chamber of Commerce.

Perhaps you could just tell us what your position with the chamber is.

**D. Hull:** Good morning. I am David Hull, executive director of the Abbotsford Chamber of Commerce. I've handed out a copy of my speaking notes as I have a tendency, especially when I'm pressed for time or nervous, to speak rather quickly. So that will help you follow along, I'm sure.

The chamber of commerce is in sync with the positions of the B.C. Chamber of Commerce, which will also be addressing this committee at some point in your tour. I'd like to take this opportunity to address some of the issues that are particularly pertinent to the Abbotsford Chamber of Commerce.

In the big picture the improved economic performance, which has seen revenues rise by just over a billion dollars, is offset by the identification of significant challenges that lie ahead, many of which are outside the province's ability to control. Natural resource revenues continue to be volatile. Natural gases alone have been down \$774 million on forecast.

The province has also sounded a note of caution regarding the B.C. forest industry and the impact of the softwood lumber deal. From the chamber's perspective, the biggest issue is that the government's spending has

increased by \$722 million above Budget 2006. While much of this can be attributed to higher forest fire costs and the incentive payments for public sector pay negotiations, the government's report indicates that increased spending by school districts, universities, colleges and health authorities was also higher than anticipated.

Further to this increase in spending, the government indicated that there are additional significant cost pressures on spending that have been identified by health authorities. From the chamber's perspective, this is worthy of note.

With an amplified surplus will come increasing pressure on the government to increase spending. As such, a cornerstone of my comments will focus on the need for prudent fiscal management. While the government is now legally committed to a balanced budget, we must be clear that this does not mean they cannot increase program spending above the rate of inflation and still have a balanced budget.

We're extremely cognizant that there are more demands placed on the public purse than can ever be met. A glaring example is the two areas of the provincial budget — health care and education — that are tending to consume the entire provincial budget by 2017 if the status quo continues. It's our position that while these two areas are obviously paramount to the well-being of the citizens of B.C. and of course cannot be simply eliminated or cut off, there has to be a better way to implement, before fiscal implosion occurs.

[1050]

In many areas of service delivery the government must abandon their historical ways — the way things have always been done — and model a system after jurisdictions that by all accounts provide better delivery and a significantly reduced cost per capita, utilizing a smaller percentage of the total provincial budget.

On debt reduction. The Finance Minister announced a strong economic outlook for 2006 that will result in a provincial surplus rising to \$1.2 billion, up from the anticipated \$600 million. The government must direct surplus, along with unused reserves, to debt reduction. The nature of surpluses is that it's dangerous to direct these to program spending as they simply increase government spending, thereby reducing our ability to cushion the economy against unforeseen challenges.

The benefit of debt reduction is that it actually frees up sustainable revenues that the government can reinvest without risking the economy. We recommend that the government take debt repayment out of the normal budget process by introducing legislation that will ensure that debt repayment is removed from political interference and short-term priorities. Legislation of this type would stress the importance of reducing the debt burden that we are leaving our children by laying out a long-term debt reduction strategy.

Health care. This is the key to controlling public spending. Health authorities have already requested increased funding despite having an additional \$2 billion invested since 2001. Minister Taylor has been clear that if we continue to spend on health care as we have been, by

2017 a full 71 percent of the total budget will be spent on health care and 27 percent on education. Add the two together, and essentially there's no funding left to run the rest of the province.

The chamber calls for public spending on health care to rise by no more than inflation until significant reforms are undertaken. The status quo is simply not acceptable or sustainable. The old ways clearly do not stand the test of time, either fiscally or measured by service delivery.

We believe that education is the key to the future in the province. University College of the Fraser Valley. The future prosperity of the province, and therefore our abilities to invest in the future health and welfare of our people and communities, rests on education.

The Abbotsford Chamber of Commerce implores the provincial government to commit to the ultra-modest expenditure in this budget cycle and to implement the requisite legislation to make the University College of the Fraser Valley into a full-fledged university, in name and practice, for the entire Fraser Valley. It's incredible that the fastest-growing economic area in Canada, with a growing population now over a quarter of a million people, does not have direct access to a university.

Post-secondary funding. Many British Columbians are being denied access to post-secondary education due to financial restrictions. The chamber is not asking for the government to fund the costs of education above current levels. Students are willing to pay for their education but require government assistance to access loans needed to finance their education.

We recommend the government review the student loan system to change the restrictions that apply to students with poor credit, providing appropriate due diligence measures have been taken. As such, increase the amounts available for student loans to reflect the true cost of education, and change the funding formula to ensure that amounts available are no longer tied to the number of weeks on a course.

The chamber also recommends that the government introduce a pool of \$50 million to be established annually as funding for working adult students in B.C. to access educational opportunities, regardless of length of program, hours of instruction or type of accredited institution.

Co-op tax credits. To ensure that B.C. has the highly skilled workforce which is essential to the knowledge-based economy of the future, B.C. needs to ensure that students are provided with the made-in-B.C. skills necessary for our future success. While a co-op infrastructure exists in the province, many small businesses — which are the backbone of the economy and the likely employers of young workers — find the cost of participating prohibitive. The chamber recommends that the government introduce a co-op tax credit to business employers equal to 15 percent of wages paid to qualified co-op students.

Taxation. During strong periods of economic growth it is critical that the government invest in producing the economic and fiscal framework to encourage long-term, intergenerational growth. Key to

this is a competitive taxation regime. The chamber believes now is the time to create an economic vision for the province that addresses the investment we are looking to encourage. The chamber commends the government on its actions to reduce the taxation burden. The strong focus shown by this government has resulted in B.C. enjoying a competitive tax regime compared to other provinces, with the exception of Alberta, and in relation to many in North American jurisdictions. These are reasonable first steps, but there is no room for complacency.

The chamber believes it is critical that the government continue to review the personal and corporate taxation rates compared with competing jurisdictions. The government must ensure that over the short term B.C.'s comparative positions remain no worse than present and, over the long term, devise a plan to ensure our comparative position improves to the point where we are considered the most favourable jurisdiction in North America.

With this in mind, the chamber believes that rather than focusing significant resources on addressing the overall tax burden, the government should focus on addressing many of the structural or sectoral anomalies that detract from our competitiveness and our ability to attract investment. Individual sectoral investors compare tax structures and burdens directly affecting them, and make conclusions and decisions based on those results.

[1055]

Reduction of PST. As we look to remain competitive with Alberta in terms of the overall tax burden, one of the significant discrepancies remains the provincial sales tax. Lowering sales tax puts disposable income in the hands of individuals, which is then put into the local economy through the purchase of goods and services. The Abbotsford Chamber of Commerce recommends that on the expectation of continuing operating surpluses, the province reduce PST by half a percent per year until the PST rate reaches 4.5 percent. This is currently estimated to cost the province \$270 million for every half a percent.

Harmonization of PST and GST. The federal government has indicated a willingness to enter into negotiations with the provinces on the harmonization of sales taxes with a view to improving the efficiencies and reducing the cost burdens on businesses of separate collection and auditing processes. We encourage the province to enter negotiations with the federal government on the harmonization of the PST and GST, including the harmonization of collection, reporting and remission of PST and GST and related audits.

Property transfer tax. The residential construction industry is driving a significant level of economic growth in the province, particularly here in the valley. While the sector looks strong and robust, the government must be proactive in stimulating demand through a phased elimination of the property transfer tax.

Investing in the future. The creation of great societies is not the result of happenstance or luck. Leaders with enormous vision and fortitude are required to ensure the development of a great province. The chamber calls

on the province to follow the footsteps of great leaders and invest heavily in the infrastructure that will secure our futures. The Pacific gateway strategy is a great start, but it does not extend far enough into the Fraser Valley. At a minimum, the gateway strategy should go to the east boundary of Abbotsford and, in reality, should go to the east boundary of Chilliwack and beyond.

The province needs to make a commitment to the development of the second largest international airport in the lower mainland. YXX, Abbotsford International Airport, is a keystone to the expansion of every related industry that will drive the provincial economy. The province needs to commit funds in the next budget cycle to immediately address access and egress infrastructure deficiencies at Abbotsford International. The government needs to commit funds outside the gateway program to reconstruct the freeway interchanges through the Fraser Valley to the standard of the recently completed Mount Lehman interchange.

P3 investment. We would encourage the government to enhance the use of P3s or public-private partnerships. The key to P3s is their ability to transfer some of the cost of capital investment, along with some of the risks, to the private sector. Following best practices from around the world — and the local example of the new Abbotsford hospital cancer centre — B.C. could have become a world leader in P3 projects.

Though it sounds contrary to my last few comments, the chamber wants to encourage investment while still reducing debt. The provincial government has been consistent in its commitment to a significant capital infrastructure investment program. While this investment is necessary to address a significant investment deficit that is the result of a long history of underinvestment in capital infrastructure, the chamber still calls on the government to ensure that debt reduction remains a priority of the government. We urge the government to focus on areas where return on investment exists in the sense of economic growth as an essential element in determining which projects are financed.

Thank you.

**B. Ralston (Deputy Chair):** Thanks very much. Questions from members?

**R. Hawes:** Just a quick clarification, I think. Under the P3 thing, in your written.... I think you read it slightly different than the written. The way you read it was probably the way you meant it. The last sentence: "Following best practices...B.C. could not have become a world leader." You did read it as "B.C. could have."

**D. Hull:** Oh, yes. Clearly, I hope we become a world leader. Strike that "not" from my written notes.

**B. Ralston (Deputy Chair):** Any other questions from members? Thanks very much, then, David.

The next presenter is Laurie Geschke. Welcome. I'll give you a moment to get set up there.

**L. Geschke:** As you know, my name is Laurie Geschke. I was an elected director on a corporate board in a government-regulated industry for nine years. I read financial statements. During that time I also learned to analyze the quality of the information given to me in the financial reports and statements of the privately held company.

I am also the mother of four children, ages 13 to 24, one of whom is on permanent disability pension and has a microboard providing services to her. It is through the lens of these experiences that I will speak to you today on the subject of the provincial budget.

[1100]

First, I would like to say that I am pleased to participate in the democratic process which this meeting represents. I thank each of you for the work that you do in governing our province from Victoria. I appreciate the Liberal government's efforts to get public input into how public finances are disbursed.

As I researched my topic, however, I have come to feel that it is impossible for the average British Columbian, such as me, to know where you can cut government spending. In preparation for this morning, I went to my MLA's office. He had nothing to give me on provincial finances.

I then went to the Internet and found a 65-page document, a quarterly report for the quarter ending June 30, 2006. By page 14 I had found one table showing revenue streams for some of the provincial taxation revenues, but it was not a complete list. The next time I looked on line, I found the 156-page *Budget and Fiscal Plan for 2006/07-2008/09*, dated February 21. From that I extracted the summary for my comments today.

In reading what I did of over 200 pages of government reports, I did not find any table, graph, paragraph or section which specifically set out all the income from various forms of taxation, user fees, licences and other government revenues in one place, even without corresponding expenditures made from those finances. So how can we tell you where you are overspending if you don't tell us clearly how much and where the dollars come from as well as where the dollars are being spent?

In the summary budget and fiscal plan, I found service enhancements for children. They go, in the next three years, from \$112.5 million to \$180 million at a time when the economic growth is strong but moderating, which means going down. Yet your enhancements mean that expenditures are going up.

The summary also states that provincial debt is increasing, obviously, and will continue to increase at a time when we should be paying down the debt for the benefit of future taxpayers and the lean years, which always come after a boom.

In 2005 there were almost 9,000 bankruptcies in British Columbia. If my husband and I operated our personal finances imprudently, we would go bankrupt. And so could B.C. if a long-term point of view isn't taken. Therefore, my first recommendation is for the government to stop putting all revenue streams into general revenue.

For example, put the tire tax into a designated fund to be used for tire recycling projects.

Put the bottle recycling fees into a designated fund to be used for recycling containers — glass, plastic and Tetra.

Put the Coquihalla toll revenues with the fuel taxes the province collects into transportation infrastructure capital costs and maintenance.

Put the education taxes raised through property taxes into the education fund, and while you're making changes there, bring in the voucher system to allow the real consumers of public education, those who pay for it — the parents of this province — to have control of the system back in their hands, where it should rest. At the present time the BCTF runs amok with our public education system, holding parents of young children hostage and jeopardizing the grades of graduating seniors with their job actions.

Put the social services tax into an account to be spent on services for children and adults with special needs.

If you do this, taxpayers will know if you're overspending or not, and on what. We'll be able to say: "Don't spend here," or "Don't spend there."

Members of the committee, this brings me to another matter for your earnest consideration. I know you have heard from other individuals and organizations during your tour around the province. I would like to add to some of what they have already said to you.

Children with special needs face a difficult transition to adult support services. Before Community Living B.C., or CLBC, was created, the Ministry of Children and Family Development funding was cut in half. Then, after CLBC was created, the criteria for application to receive services as an adult was loosened, effectively doubling the number of people seeking support.

Current wait-lists do not reflect the magnitude of need, as most people with needs were never put on a waiting list. For example, in Maple Ridge the last time someone gave up respite care was in 1997 or 1998. The social worker with whom I was speaking couldn't tell me exactly, but she had been around that long, so she knew. There have been no new respite providers brought on board. There is no wait-list in Maple Ridge, and there hasn't been for years. That does not mean there is no need for funding for respite.

[1105]

Also, most children with special needs mature cognitively later than neurotypical children, some as many as seven to ten years later. Yet most of the teaching and training opportunities and funding end just as these young adults mature into their prime learning years.

For example, much could be done to support adults with autism and prevent their permanent placement on welfare rolls by continuing the autism funding past the ages of 18 to 23 or 24. With many of these young adults, timely and appropriate support for a few short years will allow the individual to master coping skills and self-knowledge to remain self-supporting for the rest of their lives.

Children with FAS and FAE have the same developmental schedule and should also receive the same

type of individualized funding as children with autism. The choice is clear: support them appropriately for a few short years, or support them chronically or totally for their whole adult lives.

I would also recommend that parents of children should be able to use part of the money each year that they receive for the child with that particular disability to educate themselves so they know what is out there, what is available, what works and what doesn't work. The funding should not diminish and then stop when the individuals enter their prime learning years from 18 to 30.

Adults with special needs receive disability pension benefits but are unable to live a decent existence in B.C. The rent portion of their cheque, for example, is \$325 a month. Where in B.C. can one rent a facility that's clean, environmentally safe and friendly and in a good neighbourhood for \$325 a month?

I recommend that the province increase the PWD — persons-with-disabilities — pension benefit rates to at least meet Statistics Canada's LICO or low-income cut-off lines. Most families of disabled adults and children spend money out of pocket to ensure their son or daughter is safe and living in a clean and healthy environment. Yet under current rules, the recipient of a disability pension is penalized and their pension decreased dollar for dollar for aid received. That's not right.

I recommend creating a B.C. provincial tax deduction to recognize family contributions to their family member receiving disability pension benefits. Personal earnings are capped at \$500 per month as well, but for someone who wants to work their way off disability pension benefits, this means that their income plateaus at \$1,350, and their dental and health benefits disappear before they have enough work experience to earn enough money to actually be able to afford to pay for those coverages.

In other jurisdictions — in Maine and Rhode Island, for example — the clawbacks to benefits and services do not begin to happen right away. They're postponed for a period of time and then done incrementally over a period of months. This gives an individual time to get ahead, to become stable in the workforce, to develop self-confidence and to develop a perception that they do not want to go back to being on benefits alone.

As has been done in other jurisdictions, I would recommend that the clawback of benefits and services not begin to happen right away. They should be postponed for 18 months to two years and be phased in incrementally over 12 to 18 months.

I would also recommend that B.C. take the lead among the provinces and territories by being the first to make provision for a registered disability savings plan, which the federal government is currently looking at. Make the proposed RDSP — registered disability savings plan — an exempt asset for recipients of disability assistance now, before the federal government implements the RDSPs, and also afford withdrawals from RDSP the same treatment as withdrawals from trusts.

The last topic that I would like to broach with you is regarding crimes of sexual exploitation against

children and the trafficking thereof on the Internet. Last year former detective Noreen Waters of the special investigative unit within the Vancouver police department retired, and her unit was closed down due to a lack of federal funding. As I understand it, there isn't a dedicated unit that combats on-line predators and tracks pedophiles in British Columbia. Our children are at risk.

[1110]

In 1995 the cost of policing demanded an average of \$198 per person. I'm sure it's gone up since then. Yes, I know you must budget, but the safety of our children is priceless and should be a priority.

I'm concerned that only 50 to 100 of the 2,200 adults in Canada who are known by the FBI and the RCMP to have used credit cards to purchase child pornography on the Internet have ever been investigated. These people are satisfying base, prurient, pedophilic or pederastic lusts. The images they purchase are of children being sexually and physically abused. This is not normal behaviour. And I'm sorry; it's not pleasant either.

How many of the 406 known suspects in British Columbia have ever been investigated? Do these potential pedophiles live next door to us? Do they work in our communities? Or do they have direct contact with our children?

The examples of Scotland Yard and the Virtual Global Task Force would be great working resources to pattern these new specialized units after. This seems, also, to be currently possible according to the Civil Forfeiture Act.

I would recommend that the civil forfeiture office, set up under the provincial government's Civil Forfeiture Act and enacted in April of this year, become a funding agency for dedicated units within municipal police forces in major centres in B.C., focusing on tracing and tracking on-line predators.

Besides the initial setup costs necessary, I recommend that money be available for ongoing counselling of the officers being involved in this unit and, also, for training and equipment upgrades for dedicated police units focused on tracking, investigating and prosecuting on-line sexual predators of children.

This concludes my recommendations for today. I would be happy to answer any questions, and thank you for your attention.

**B. Ralston (Deputy Chair):** Thank you very much. We do have some questions.

**R. Hawes:** Laurie, just to your last part with regard to sexual predators and their use of the Internet. I don't know if you're aware of *Nexopia*, I think it's called. It's something that the kids use a lot.

In talking to Merlyn Horton, who's got some money now from the government here in the valley to develop a program of education, I know that sexual predators have an easy task finding our kids, who are out there on the Internet. She was able to show me a number in my city — and I know they're in every city — of kids advertising, "I'm a party person. I'm looking

for friends" — all this stuff and their pictures. It's just amazing what our kids are doing.

I guess I'm asking: do you see also, then, or would you recommend that we...? We have to take some responsibility ourselves for controlling and policing our kids, and I'm not sure what your recommendation there would be.

**L. Geschke:** I do. My recommendation goes back to the family. We need to support the family to make it stronger. Intact families are far better to police Internet use that their children are actually doing.

The other thing that it brings to mind, when you talk about that, is that there has been an initiative — I think in some communities in Ontario, but I'd have to look — where the municipal governments said that anybody who was having an on-line hosting service in their community had to limit the companies they hosted to companies that would not allow the sexual predation of children and would not have pornographic images in them and things like that. That's another thing that could be done, but it's obviously not something that you would consider in the financial field.

**R. Lee:** On the idea of a delayed clawback for 18 months or two years, my question is.... Over the last few years the exemption has been increased from \$200 to \$500, and there are other ideas — say, for example, a graduated scale of clawback. Which model would be better: a graduated increase in clawback or just a delay?

**L. Geschke:** I would say to incrementally do the clawback, and I also would suggest that you keep the \$500 limit, because \$856, which is currently what a person on disability who is unable to volunteer anywhere else is going to be receiving, is not enough money to start clawing back as soon as they make \$100.

[1115]

Keep that \$500 that they're allowed to earn themselves, and then start clawing back. Once they've hit \$1,356 and manage to carry on the maintenance of that wage or greater, then claw back in two or three years.

My husband had a period of several years where he worked less than what his potential was. It has taken us almost seven years, since he actually got back to work full-time and is working up to his potential and earning enough money to support us, to actually be able now to start to look at things that need replacing that we had not been able to replace for the last seven years because there just wasn't money to do it.

If you allow a window of opportunity, then these individuals will have a little bit of wiggle room in which to set themselves up with furniture or a couch that's clean. I don't know what their expenditures are going to be. It obviously depends on what their lifestyle is and whether they're in day programs full-time or making money by working three-quarters-time or full-time, whether they need bus fare or whether they're actually able to drive a car. Some of them are.

They need help to set themselves up. They need a window of opportunity to set themselves up so they can maintain themselves, rather than just falling back into despair because nothing is getting done. I know it was very difficult for us as a family, and we were a couple, working together during those lean years and afterward, trying to make ends meet and make up for lost resources.

**B. Ralston (Deputy Chair):** Thank you very much, Laurie, for taking the time to prepare a presentation. If you have a written copy there and you want to file it with the Clerk, you could do that as well.

**L. Geschke:** I'd be happy to do that.

**B. Ralston (Deputy Chair):** The next presentation is from the Real Estate Board of Greater Vancouver, Harriet Permut and Sylvia Sam. Good morning.

**S. Sam:** Good morning. How are you today?

**B. Ralston (Deputy Chair):** Pretty good.

**S. Sam:** I'm with the Real Estate Board of Greater Vancouver, and we're here to make a presentation about making home-ownership more affordable.

It won't come as a surprise to anyone here that housing affordability throughout the Greater Vancouver area continues to erode.

What might surprise you is that it isn't only the low- and moderate-income earners who can't afford to buy a home. Even many professionals, who are typically higher-income earners, can no longer afford to buy a home in the Greater Vancouver area.

To track the prices, the Real Estate Board of Greater Vancouver uses benchmarks, and these are yardsticks that represent typical properties. As of August 2006, the overall benchmark price of a typical home in all of the Greater Vancouver area had reached \$482,302. The income needed to buy this home had reached \$123,300.

With these numbers in mind, it is clear that fewer and fewer first-time homebuyers or single-income households can afford their dream of home-ownership. How do we know this? Well, in 1998, 36 percent — that's more than one in three homebuyers — were first-time buyers. This year the number will drop to 21 percent — about one in five homebuyers — and by 2008 it will drop to less than 15 percent. That's almost one in seven first-time homebuyers. We're very concerned about this.

I'm Sylvia Sam, chair of the Real Estate Board of Greater Vancouver's government relations committee, and with me is Harriet Permut, our manager of government relations. We are here today to talk to you about making home-ownership more affordable, but first I'd like to give you a little background about our organization.

The Real Estate Board represents 8,700 residential and commercial realtors in the Greater Vancouver area from Pemberton in the north to Tsawwassen in the

south, from the Gulf Islands and Sunshine Coast in the west to Maple Ridge in the east. We're a member of BCREA, British Columbia Real Estate Association, and we are the largest of its 12 board members provincewide.

[1120]

We operate the Multiple Listing Service, or MLS. Using this MLS data, we produce a range of statistical reports widely used by universities, economists, businesses, industries and governments.

The Real Estate Board and its members are known for caring about the quality of life in our communities. Through our Realtors Care program we support numerous provincial, regional and local charities. We believe that home-ownership is integral to the quality of life in our communities.

The Real Estate Board of Greater Vancouver has three recommendations that we believe will put us on the path to making home-ownership more affordable. If you look at the table on page 2 of our submission, you will see who can't afford to live in our neighbourhoods. As I mentioned at the start, a professional, such as a firefighter, who relies on only one income might find it difficult to buy a home in our area. This is also true of an early childhood educator, a nurse, a police officer, a realtor, a school teacher and even an MLA. These are valued professionals in our communities, and yet they can't afford to live where they work unless they have a partner who also contributes a second income.

As a sideline, I used to be a member of the Port Moody police board. We went through a lot of their numbers and things like that. I can tell you that at that time in the '90s a 15-year constable that worked in Port Moody, one of our sergeants — many of our sergeants, in fact — whose income would be almost six figures, had to live in Mission because they couldn't afford to live in Port Moody. This fellow had two children, and his wife was staying at home. The point is that if there was a disaster that happened in Port Moody, he would not be able to come to the community that he works in as a policeman to save people at that time.

One of the encumbrances to home-ownership is the government's levy known as the property transfer tax, the PTT, which is rated at 1 percent of the first \$200,000 and 2 percent of the balance on the purchase price of a property. How does this add to the cost of a home? Well, for our benchmark price of a \$482,304 home the property transfer tax adds a whopping \$7,646. A homebuyer must pay this amount upfront at the time that the property title is transferred.

This upfront PTT payment often comes as a surprise or a stress to the homebuyer. Often, to pay the PTT, some homebuyers may be forced to take the cash out of their initial down payment, reducing that amount of down payment and resulting in a higher mortgage that they have to carry. This creates a longer-term financial burden. Amortized over 25 years, the PTT of \$7,646 in our example adds up to just over \$14,000.

As you know, homebuyers are vital to our communities' social health. The Housing Minister, the Hon. Rich Coleman, said this week in his *Housing Matters* report

that "owning a home improves a family's financial security and provides a sense of connection to the community." It is a step to a better life. And we agree.

Home-ownership is also good for the economy. For every home that changes hands, the transaction generates one-third of a job and \$28,000 in economic spinoffs from moving costs, renovations and appliances. Last year 41,000 homes changed hands in Greater Vancouver. In spinoffs this generated 12,000 in person-years of jobs and just over \$1.1 billion in economic spinoffs.

[1125]

That leads me to our three recommendations. Our first recommendation is to raise the first-time buyer PTT-exemption-price threshold to \$375,000 in your 2007-2008 provincial budget. When the first-time homebuyer's exemption was introduced in 1994, the price threshold for eligible properties in the lower mainland was \$250,000. At that time the median price for a detached home was \$310,000. In 2004 the exemption price threshold was raised to \$325,000. As of August 2006 the median price of a home had increased to \$412,000, while this price threshold was still \$325,000. The exemption price threshold has not kept pace with the market price of homes.

We recommend the government raise the price threshold to \$375,000. Each year the benefits of improved affordability would result in 500 more first-time buyers in the lower mainland, an increase in consumer spending of \$13 million, creation of 150 additional jobs, an increase in taxes on consumer spending of \$900,000 and an increase in provincial taxes on additional labour income of \$300,000. The foregone PTT revenue would be about \$16 million for all of B.C. and about \$8 million per year for the lower mainland, but with tax revenues from additional spending and income generated, the net tax revenue loss would be \$6.8 million for the lower mainland.

Our second recommendation is to index the PTT exemption price threshold to annual changes in the median MLS home price by provincial development regions for the 2008-2009 provincial budget. This measure will keep the tax coverage constant. Again, this would generate the benefits of improved affordability. I note that if this recommendation had already been implemented, the exemption price threshold this year would have risen to \$373,450 from the \$325,000 — pretty close to what we're recommending. This is because the median price increased this year by 15 percent to \$408,000 from \$354,000 in 2005, so we estimate the cost of foregone PTT revenue at \$6 million per year in the lower mainland. The lift in tax revenue from additional spending and income tax results in a net revenue loss of \$4.8 million.

Now on to our third and last recommendation — that is, to eliminate the 1 percent property transfer tax on the first \$200,000 for all homebuyers in the budget year 2009-2010. The \$200,000 price threshold has remained unchanged since it was introduced in 1987, when the average home price in Greater Vancouver was \$42,200 — a long time ago. Today the benchmark price is \$482,304, requiring a minimum household income of \$123,300.

Each year the benefits of improved affordability would result in 2,000 more buyers entering the market, an increase in consumer spending of \$52 million, 600 additional jobs, an increase in tax on spending of \$3.6 million and an increase in provincial income taxes on the additional labour income of \$1.4 million. We estimate the net revenue loss at \$145 million.

In 1987 when the property purchase tax was first introduced, the then Finance Minister Mel Couvelier stated: "The proposed rate structure will result in 95 percent of transfers of single-family homes being subject to a single 1-percent tax." According to our board sales statistics, only 8 percent of sales in the Greater Vancouver area are now priced at less than \$200,000. The threshold was supposed to cover 95 percent of the properties. Now it covers only 8 percent. It is time to eliminate the 1-percent tax on the first \$200,000.

We have presented three recommendations today, all with the goal of making home-ownership more affordable. I would like to note that our first recommendation, which we estimate will cost \$6.8 million, is just 0.02 percent of the total estimated provincial revenue for the fiscal year 2007-2008. The government will continue to derive substantial revenue from PTT, which would continue to be used for the benefit of all British Columbians.

[1130]

You've asked us how we envision improving services in our communities, and what government can do to keep the economy strong. The real estate board urges you to implement our recommendations by modestly reducing the tax burden on homebuyers. This will keep more first-time buyers in the market and help sustain market activity.

We all agree that a strong housing market has significant positive effects on the economy by fuelling job growth, spurring consumer spending and improving our overall quality of life. And aren't we glad we're British Columbians?

Thank you. Questions?

**B. Ralston (Deputy Chair):** I think there's time for just one question. We're just about at the 15 minutes. A very detailed presentation.

**J. Kwan:** Just a quick question. I know that you've been advocating for this change for quite some time. Some time ago, I believe, you approached the government with a request for the government, at a minimum, to review these matters. I'd like to just get an update on that. Did anything happen?

**S. Sam:** To date we have not had any responses from the government side of the Legislature.

**J. Kwan:** Who did you go to?

**H. Permut:** Minister of Finance Carole Taylor.

**B. Ralston (Deputy Chair):** Thank you very much for your detailed presentation.

The next presenters are the B.C. Child Care Advocacy Forum represented by Rita Chudnovsky and Sheila Davidson.

**S. Davidson:** Good morning. Thanks very much. We appreciate living in a democracy so that we have the opportunity to talk to you this morning. We do have a presentation. We won't be that long, so we would certainly welcome your questions after.

The Child Care Advocacy Forum is an alliance of six professional associations within the province of B.C. We represent all forms of child care, and our membership is in the thousands. We have early childhood professionals, family child care providers, parents and interested citizens.

Our comments today are going to be very frank. We would have to be honest in telling you that we are very concerned and at times very frustrated with the lack of movement that we've seen from the Liberal government since 2001 on child care.

As we've highlighted in previous years, since 2001 B.C. has cut \$40 million from its own spending on child care. These cuts were only beginning to be restored with federal money designated for child care that couldn't be spent on other things. They came to B.C. under the early learning and child care agreements. Under these agreements B.C. made a commitment to release a child care action plan by January 31, 2006. We have not yet heard anything about this plan. The government has been silent on their plans for child care.

The community invested significant time and energy in speaking to government officials and in making written presentations. We have been treated disrespectfully by the government, and we still have no plan.

Now with the new federal government's decision to cancel its agreements with B.C. and other provinces, things are getting worse. As opposed to other federal-provincial agreements, such as the Kelowna accord, the Premier has been silent on the cuts to the child care funding. The Minister of Finance refuses to meet with us.

The Minister of State for Childcare recently put out her inaugural bulletin on child care. She talks about FASD, and she talks about booster seats. She does not talk about a plan for child care.

Even though B.C. still has \$127 million in additional federal funds from this agreement and a projected budget surplus of over \$1 billion, the best the province can do is promise to maintain the restored subsidy for parents.

[1135]

We have no commitment about child care operating funds. Will they continue? Will they be cut? We don't know about child care resource and referral programs.

Our message to you is short and simple: with or without federal funds, B.C. is responsible for building a quality child care system that meets the needs of families, children and communities.

The first step we need from government is to hear a firm commitment to maintain the child care funding in next year's budget and beyond. But that isn't enough. B.C. must make a public commitment to a child care

plan that moves us from a user-fee system to a publicly funded system and one that provides stable, multi-year funding to make it happen. B.C. can afford it.

More than anyone, we know that the federal government has a role to play, and we continue to work and advocate at the federal level. We call on you, the province, to speak up and out. We're ready to be your allies, but we need your commitment.

We must repeat: with or without federal money, we hold this government accountable and responsible for finding solutions to the child care crisis in this province.

Thank you, and we welcome your questions.

**B. Ralston (Deputy Chair):** Thanks very much. Questions?

**J. Kwan:** With the latest letter that you've received, if there's no commitment from the provincial government for that funding, what will happen to the operational funds of child care agencies — its impacts?

**R. Chudnovsky:** First of all, for people not familiar with child care funding, licensed child care, family and group centres in British Columbia that apply receive a child care operating fund directly from the government. This fund has been significantly reduced over the last five years. With the federal money last year, some small increases were made to that fund. That fund is based on the age group and the number of children who attend. It's kind of a per-diem amount.

The increases to that operating fund have all been funded out of federal dollars. As you correctly say, the latest letter from Minister Reid says that the government will endeavour to maintain those funds until the end of this school year. There isn't even a commitment to the end of June, let alone beyond.

The amount of money a program receives depends on the children, on who attends. A group centre for 25 three-to-five-year-old children will be receiving about \$45,000 a year under that fund. If that is lost, then the program will have no option but to raise fees by about \$150 a month to simply maintain where they are. In many communities parents can't afford that, so we could well see the projected loss of those programs.

The Real Estate Board concurs with us that wages for early childhood educators are abysmal and have gone backwards. There's a huge shortage of early childhood educators in the province because people can't work, let alone rent — never mind buy — for \$9 an hour. The impact will be very direct.

The instability already being created by a lack of clarity about this is occurring right now. If programs have to raise their fees, they have to give people notice — right? So it's going to go from bad to worse to worse.

**B. Simpson:** Thank you for your frank words. I think it is part of the democratic process for people to have the right to be frank about what they're experiencing.

I want to feed off what Jenny was asking. It is the concern around how vulnerable we are on the early



childhood education specialists. Has the Advocacy Forum done some work around a plan or some process that we could engage in?

We're talking now immigrant workers, skill shortages across all sectors. This is a fundamental area, and as you've already indicated, these people don't get paid a lot. What do we do to address that skill deficit and worker shortage?

[1140]

**S. Davidson:** We fund child care adequately so that they can be compensated for their training and their education, as a starting place.

Research is clear that the training and education is part of the quality component. I think we all understand that when people are not paid well, society doesn't value their jobs in the same way as we value jobs that are adequately compensated.

The recruitment and retention issue is becoming critical, not only in our province but across Canada. A national organization, the Child Care Human Resources Sector Council, which is the first sector council from the community social services perspective, is working on a number of projects. The most current one is the career awareness project. They will be addressing a strategy that will be, hopefully, rolled out within the next one to five years.

**R. Hawes:** My question is around licensed versus unlicensed. I am aware that there are a number of unlicensed child care centres that are of high quality. There are probably some that are low quality. I don't know. But I do know that their cost is significantly lower.

You talk about licensed and only licensed. What are your thoughts of unlicensed facilities or working with unlicensed facilities in order to at least, perhaps, ease the cost of operating some of these centres?

**R. Chudnovsky:** Well, a couple of responses, and I think we would have many. First of all, the research internationally, nationally and locally is absolutely clear that the quality of care that children receive in their early years matters. Good quality promotes healthy development; poor quality can do harm.

There are many factors that go into quality. But, again, the international research is clear that, at a minimum, licensing.... The licensing regulations in British Columbia are, essentially, health and safety regulations. But at a minimum, those are essential to even begin down the road of quality care.

There are a number of child care providers in British Columbia who operate without a licence, and they do that legally under what we call "licence not required" care. People are able to care for two children in their own home without being required to have a licence. Those people make an important contribution to the child care community.

We would, of course, be saying that in a well-designed system those people would be supported. They would have training. They would have education. Parents would have assurances of the stability of care.

The most fragility in the system — the highest rate of opening and closing — is around licence not required. That's not good for community, and it's not good for children to have changing caregivers.

We don't think it should be seen as a cheaper alternative. I would have to end by saying that if there are unlicensed facilities — that is, large programs for children operating in communities without licences — then we have a very serious problem. I would hope that....

**S. Davidson:** I think I would add that, you know, our public education system certainly is not unlicensed. We can't buy meat or poultry or eggs or milk from unlicensed suppliers.

Our young children are the most vulnerable. As a humane society, we have a responsibility to do what's best, and we are not doing that in this province. It's time for us to change.

**J. Horgan:** We had an earlier presentation in Surrey from a child care advocate, and I raised the question of the federal government's \$100-a-month contribution to child care. She rightly characterized that as a re-creation of the baby bonus, and I would agree with that. I'm sure you would too.

My question, then, would be: if you were to give advice to the province of British Columbia, to the Premier and to the Minister of Finance on how they should respond to the void created by the new federal government, what would you ask them to say?

**R. Chudnovsky:** Well, I think we would ask them to do more than say. We would ask them to take action.

First of all, as our opening comments indicated, we are absolutely distressed and beyond perplexed about why it is that in B.C.'s negotiations with this new federal government, the loss of \$455 million dedicated for child care is never mentioned. It's not on the Premier's agenda. The Minister of Finance refuses to meet with us about it.

[1145]

I cannot imagine another sector in which the province would face a loss of \$455 million in transfer payments that wouldn't be front-page news. So step up at the federal level.

Secondly, step up in the provincial budget. Restore the \$40 million that was cut from provincial spending, and out of the surpluses find the difference to sustain the current investments in child care at a minimum. Release the child care action plan. We've been clear for decades. We're looking for a five- to ten-year plan that moves us toward quality, affordable care for every family who needs or wants it. Begin to build in the budget, over the next five to ten years, that moves us toward that. It's not rocket science.

**D. Hayer:** We had another presentation with the Finance Committee where they said that they had a study from one of the universities in Alberta which stated that the best child care system for a child is first, the parent; second, the grandparent; and third, one of

the family members. They were saying if there are funds available for child care, maybe we should also give those available funds to the family members or other relatives who can look after the child. What do you think about that?

**S. Davidson:** I'm happy to answer that question, Dave. The reality is that this is not about replacing parent care. This is about doing what's best for our children and our families. Most women are in the workforce. That is reality. Canada and B.C. are facing a labour shortage. That labour shortage is only going to increase as more and more of the baby-boomers retire. You know that. That's not news to you.

I grew up in Manitoba. My family is in Manitoba. I've been in the labour force as a worker since I was 19 years old. I didn't have a family. I didn't have a grandmother. My closest relative lives in Nanaimo, so that doesn't work for me. It doesn't work for most people I know.

Again, I would have to repeat. It isn't about replacing parental care; it's about supporting the family.

**D. Hayer:** So if it does work, then they should be allowed to...?

**S. Davidson:** Sorry; I missed what you asked.

**D. Hayer:** If it does work for some family members, should you be allowed to give that money to those parents who do have grandparents or relatives who are willing to look after...?

**S. Davidson:** I think that complicates the issue. I think that we're talking about building a child care system, just like we have an education system, just like we have a health care system. I'm talking about doing what's best for our children. Many parents will say that they would like to stay at home, and many parents would like to be at home, but it's not reality.

I think that moving into the issue of supporting the family that's at home — the federal government is doing that right now. It isn't going to make a difference to working families. So at this point I think we need to look at building a system rather than paying attention to the few families that stay at home.

**R. Chudnovsky:** Could I just add that there's also a very broad base of research that indicates that quality socialization experiences for children that involve families and involve children support quality development for children. I think that the study out of the University of Alberta.... We clearly have never indicated that we're supplementing parental care. I would really encourage you to look at the research that speaks to the quality of the environments and children's early opportunities to socialize, whether or not they have a parent at home.

The reality is that more affluent families with a parent at home choose socially enriching group activities for their children as part of their preschool experience and view it as helping those children in their development.

So if affluent families can make that choice to support their parenting, then surely all families should be able to.

**B. Ralston (Deputy Chair):** Thank you very much for your presentation. You've engendered some lively questioning.

The next presentation is from the Canadian Bar Association, B.C. branch, and Frits Verhoeven is representing that association.

**F. Verhoeven:** Thank you very much, Mr. Chairman and members of the committee. I have brought with me the presentation in written form.

[1150]

As president of the B.C. branch of the Canadian Bar Association, I am honoured to speak to the committee this afternoon — I guess it's still this morning — on the preparation for the budget for this year. As president, I represent all of our members, which are approximately 6,000 lawyers in British Columbia. This is, in fact, the third time I've appeared before this committee, and this is our third prebudget submission.

Last year I was very pleased, and we were very pleased, to see that the committee accepted the gist of our submissions. The committee recommended to the government and the Minister of Finance that the government examine the removal of the PST on legal services. So before I move further into the presentation, I'd like to thank the committee for coming to that conclusion last year, and obviously, I'll be asking the committee to make the same recommendation this year. It's regrettable that despite our recommendations, the Minister of Finance did not see fit to implement that suggestion last year, and so we are here again, still protesting against this unfair tax.

Since last year we also have commissioned a report from Dr. Rosalyn Kunin, a respected economist, that also looks at the tax not only from the point of view of fairness, equity and the cost of doing business in British Columbia but looks at it from an economic point of view as well. That report was submitted to the government last year. I'll just perhaps refer very briefly to the executive summary. That's at tab 2 in the little booklet that I've given.

Dr. Kunin says, and I'm just going to refer to.... I guess the third bullet is probably the key one from a business point of view. "SST on legal services is inefficient as it is not only a sales tax on consumption but also a sales tax on capital investment." So she as an economist is able to look at it from that point of view. That's another way of saying that it raises the cost of doing business in British Columbia for all British Columbia businesses. Being a sales tax, it is something that goes directly into the capital that they have available for their businesses. So it's a damaging form of tax.

A little bit of background for those who may not be familiar with the origins of this tax. In 1992 a 7-percent social service tax on legal services was introduced. Initially the stated purpose was to fund legal aid. That did not happen. That has never happened. We do not advocate that the government should set aside any

particular tax for legal aid. We say as a bar association that legal aid is an obligation of all taxpayers, not only those who happen to be needing legal services for some reason or another.

There were court challenges, and there continue to be court challenges. There were challenges immediately to the tax. The tax has been widely condemned, and in fact, it is very difficult to find anyone in government, elected or non-elected, who speaks in favour of the tax. Business groups and social activists alike have condemned it.

I can say that I have spoken to several cabinet ministers. I have spoken to numerous MLAs. I've spoken to quite a few people in the policy side of government. No one has ever suggested that the tax makes any sense. There is no rationalization that I've ever heard that defends the tax on any principled basis. The only basis for keeping the tax is the fact that it raises money. But as I'll point out a little bit later, that money that is raised comes at a cost. It's not just a net gain.

The points of principle are set out on page 2. The tax is fundamentally discriminatory and unfair. Legal services, as you probably already know, are the only professional services that are taxed. Accountant services, engineering services, consulting services of any kind are all free of PST. They all attract GST, as legal services do as well, but for some reason in 1992 the government singled out legal services, and the bigger mystery is why it remains.

It's a drag on B.C.'s competitiveness. The tax inflates the cost of doing business in B.C. relative to other jurisdictions. In that respect I think it's notable that there are legal services taxes in other jurisdictions, such as Saskatchewan and Manitoba, but those are in common with other professional services. No other province singles out legal services.

The jurisdictions that I would say we compete with most for things like head offices and for legal services would be Alberta and Ontario — Calgary and Toronto, specifically, when we're looking at the market for legal services on the corporate level; for example, multi-nationals and so on. Those provinces have no tax on legal services. Obviously, Alberta has no PST at all. Ontario does not tax legal services.

[1155]

It's a drag on B.C.'s competitiveness. It's poor tax policy. It defies fundamental economic principles by taxing capital investment, and I mentioned the Kunin report in that context. It's bad for the economy. It doesn't represent lost revenue for lawyers, but it is, in fact, a growing cost to the economy. And the reference there again is to the Kunin report. It's regressive. Poorer people, people least able to pay, are going to have a harder time acquiring legal services. If they can manage to afford it at all, this just puts another roadblock in their way.

The biggest reason to get rid of the tax is because it's an impediment to access to justice. Access to justice is a fundamental right, and in that context, there is no reason why the government would want to put an additional roadblock against access to justice. If one — and I've made this point before — were to pick services that one were to single out for taxation, legal services

might be the last one, not the only one. Access to justice is a fundamental principle in our society. That's set out in the Charter. That's been confirmed by the courts.

As you may have heard, the late Dugald Christie, who was very committed to access to justice, has brought legal challenges to the tax. Those legal challenges have had some success. The courts have affirmed that access to justice is a fundamental constitutional principle and that the tax is, in some measure, illegal as being an impediment to that.

The matter is still before the courts and will go to the Supreme Court of Canada next spring. In the meantime the revenue that the government used to rely on is not really so reliable anymore.

The government claims it must defend its right to tax, and we say that that's true, but this is the wrong tax with which to make that argument. Why waste money to defend a bad tax? Our view is simple: when you're in a hole, stop digging. This tax has been in place for far too long. It doesn't make sense to defend it any further.

We reject the concept that because it's being litigated, the government can't reassess its policy. I have heard ministers say: "Well, it's before the courts." That's true, but that doesn't mean the government can't decide to get rid of it.

This year the Minister of Finance asks: what changes would you make to this? We respond, to no one's surprise: eliminate this tax. The minister asks us how to replace the lost revenue. We say that given the court rulings, the government can no longer depend on the tax as a reliable source of funding and, in short, there may be very little to be replaced.

We could add that if the minister is preoccupied with raising revenue to pay for important public services — as, of course, she should be — she should not be singling out the people and businesses that use legal services. Taxes should be applied fairly, either across all professional services and across all taxpayers or not. The objective has to be to deliver greater fairness to the tax system in B.C.

We oppose the tax on legal services, but we do say this. The government really has two choices. Either tax all services so that all users of professional services bear the burden of taxation equally, or get rid of this tax. No other solutions make any sense.

The tax on legal services must rank as the most anomalous and unfair tax in this province. When in opposition, the B.C. Liberals railed against it. This committee was right last year to recommend that the government examine its removal. In my respectful submission, the fact that it still remains before the courts is no reason not to make that very sound recommendation again.

I've already dealt with the point about the fact that it's before the courts. I want to emphasize that this is not a matter that is a question of lawyers losing income. Clients pay this tax, and oftentimes, as I said last year, people who need legal services are those who are most in need. There is no reason to assume that a person who is using legal services is especially wealthy

or fortunate and therefore can afford this additional burden.

[1200]

From a business point of view, again, as Dr. Kunin points out, it's bad for business and makes B.C. less competitive. If we want to attract legal industries, if we want to attract head office industries or keep those that we have, or high-tech industries or biotech industries — those sorts of businesses that use legal services most heavily — we need to make this province a good place to do business.

I hope that the members of the committee will have a few questions — hard questions, if possible. I say that we look forward to reviewing your report later this fall, and we hope that once again you will recommend that the government examine the removal of this tax.

Thank you for your time, and I'll certainly be glad to answer questions.

**I. Black:** Is it your view that spending the \$100 million by eliminating the tax will provide more access to justice to our most disadvantaged versus, say, spending the \$100 million by leaving the tax in place and instead increasing the funding for legal aid by the same amount?

**F. Verhoeven:** No. I've said it earlier in my remarks. There are a couple of different things that are involved, I think, in your question. First, as you put it, spending \$100 million by not taxing. I reject the premise, which is that if you reduce the taxes by \$100 million, then that's going to be a net cost to the treasury of \$100 million.

If you make B.C. a better place to do business, there's going to be a gain. A substantial portion of that cost is paid by business, so it reduces their bottom line. It reduces productivity. It reduces their ability to compete. So it's not just a loss of \$100 million.

The other side of it, of course, is the question of legal aid. The government said, when they brought it in, that this was intended to raise money for legal aid but hasn't applied it for that purpose. I don't say that the government should. There is no sense to that.

If a person has, for example, family problems — let's say it's a divorce — and they have to pay money for legal services, how is that connected to the need for somebody else to be defended in a criminal matter or someone else who has a custody problem or something like that and can't afford a lawyer? There's no reason to impose on people who use legal services the cost of legal aid. The connection that was made when the tax was introduced is a false one.

I hope that answers the question.

**R. Hawes:** My question, actually, is something for the Bar Association, I think, but is not related directly to that tax. That would be that the MIA, Municipal Insurance Association, has put forward the premise, as have engineers and others, that joint and several liability increases costs dramatically to taxpayers and others, and they're advocating for proportionate liability.

I know that this has been a matter of discussion with the Bar Association and the government. I'm not sure where it sits today. What is the Bar Association's position on that today?

**F. Verhoeven:** I don't think we have a position on that. There's obviously a bunch of competing policy questions involved in that issue. We have 6,000 members, and we have 68 sections all involved. We call them sections, where groups of lawyers are involved with different areas of the law. Those sections provide input on potential legislation, and they have discussions with government about these sorts of policy issues. The long and short of it is that I don't know the status of those discussions.

I know that with respect to that issue, it's been kicked around for some time. I think the former Attorney General, Geoff Plant, as I recall, raised it initially. It does have pros and cons. It might reduce liabilities for some, such as municipalities, but from the plaintiff's side, obviously, it makes recovery a lot harder.

As a civil litigator, there are concerns I have as to the fact that it might make litigation a lot more complicated and expensive, because a plaintiff would be forced to go after every conceivable defendant. Right now you don't necessarily have to do that.

Also, insurance companies would, I think, be very pleased, because some defendants are insured, and others aren't — right? Obviously, from the plaintiff's side of things, it's a bad thing. From a defendant's side and an insurance side, it's probably a good thing. It may very much depend on whose side you're on.

[1205]

It's a fairly complicated question. There are a bunch of different models, I think, for dealing with that issue. I don't pretend to be up on all of those issues. There are people in our civil litigation section and insurance section who are looking at it, and I'd be happy to provide further information on that point.

**B. Ralston (Deputy Chair):** Time for one further question before our recess.

**J. Horgan:** We heard a presentation from one of your members in Williams Lake, who said, surprisingly, to this committee that there weren't enough lawyers. I don't know what the bar's position is on that, but I'd like to go back to Iain's question. You gave an answer to the tax portion of his question, but I'd like to know what the bar's position would be with respect to increasing funding for legal aid in British Columbia, separate and distinct from the tax issue.

**F. Verhoeven:** Well, there's no question. As you may know, the Canadian Bar Association, the national association, has brought a legal challenge in British Columbia saying that there is a constitutional right to legal aid. We've put our money where our mouth is in that respect.

Our position, absolutely, is that funding for legal aid is insufficient. A number of years ago the government

cut back legal aid funding and really cut it down to the constitutional minimum, which was criminal defence, and left civil legal aid almost unfunded completely. There's been some small restoration of the funding, but it isn't anywhere near what it should be.

We would like to see access to justice viewed by people in the same plane as education and health care — as being one of the fundamentals of our society. We don't think that the resources are nearly sufficient for that. But we reject the idea that it's only our clients who should pay for it.

**B. Ralston (Deputy Chair):** Thanks very much. I think that really concludes the time we have for your presentation and questions.

We'll now recess until 12:35 p.m.

The committee recessed from 12:07 p.m. to 12:37 p.m.

[B. Ralston in the chair.]

**B. Ralston (Deputy Chair):** We're resuming our hearings here in Abbotsford, and the first presenter at this time is the Massage Therapists Association of B.C., represented by Brenda Locke.

Hi, Brenda.

**B. Locke:** Hello. Thank you all for allowing me to present today on behalf of the massage therapists of British Columbia.

First of all, I'm going to tell you a little bit about who we are, because I think there is generally some confusion about registered massage therapy in the province. We'll call them RMTs from here on.

RMTs have been regulated under the Health Professions Act since 1946, and they're licensed by the College of Massage Therapists in British Columbia. We're affiliated nationally with the Canadian Massage Therapist Alliance.

B.C. RMTs have the highest standard of education in North America. It's debatable whether it is in the world, but our standard of education here in B.C. is very high. Recently Thompson Rivers University has laddered our diploma program to a degree program, a bachelor of health science. We are at this time also looking at other post-secondary opportunities for our members.

RMTs are educated and trained to accurately assess and treat the body with techniques that include massage; manual therapy; joint mobilization; hydrotherapy; and rehabilitative exercises like stretching, strengthening, balance, postural education and patient education.

Massage therapy is an effective approach to pain management and rehabilitation. We use evidence-based practice for treating a wide range of conditions. I'm not going to read them all to you — they're in the brochure — but it's arthritis, osteoporosis, fibromyalgia and that kind of dysfunction. There are some brochures that you'll see in your packages.

Massage therapy is highly accessible throughout the province, in every health region, through referrals

from other health care professionals like doctors as well as others and through coverage under MSP, albeit limited; ICBC; WCB; and extended health care plans.

The budget consultation process. The minister asked a couple of questions. We're going to try and answer some of them. One was: where would you spend more, and where would you spend less? Pressures on health budgets seem to be never-ending for all governments, including British Columbia's, and in contemplating that question, we thought of how we can help.

[1240]

Our profession is committed to improving the health status of British Columbians, and we stridently believe in the old adage that an ounce of prevention is worth a pound of cure. In fact, over the past 30 years Canadian and international studies have shown that promoting health and preventing disease keeps populations healthier and living longer, resulting in fewer workdays missed, better quality of life and billions of dollars of savings to the health care budgets.

Massage therapists provide a full spectrum of health care services, health promotion, disease prevention and treatment. Because visits with a therapist typically last 30 to 45 minutes, massage therapists are valuable primary health care providers who have one of the highest ratios — 1 to 1 — of time spent with their patients. RMTs' educational message greatly assists patients in maintaining health and wellness and, where appropriate, self-managing chronic and acute conditions.

We do want to commend government for some of those health prevention initiatives, like ActNow. Those are great initiatives, but there is much more that we can do. The new culture of understanding health and wellness will produce obvious positive outcomes for good health but will also produce a population that understands and takes more responsibility for its own health, which will assist in stemming the ballooning health care budgets.

Really, from our association's point of view, it's not only about the money. Currently legislation does not allow registered massage therapists to practise to the full extent of their training. Broadening their scope of practice in line with that training would assist our patients, while not burdening the health care budget at all. Within that training is the ability to diagnose musculoskeletal conditions. This change is risk-free and would not negatively impact the health care budget but would allow RMTs to better serve their patients.

While RMTs primarily work as health care providers, we believe that our abilities also can be utilized within the public health care system. Our practitioners are relatively young, with the average RMT in their early 30s, so we offer a long-term health care human resource.

Integrating massage therapists in community health care, educational institutes, community centres, sporting facilities, workplaces — which some employers actually are doing now, having an RMT on staff — neighbourhood houses and elsewhere offers the benefit of massage therapy to a broader audience, producing a healthier population and potentially saving.

One of the other questions that the minister put forward was about improving services for children.

Massage therapy was shown to improve the health of children and youth — those who are healthy and those who are challenged by health conditions. Studies have shown positive outcomes for massage therapy for healthy babies, as well as for infants who are premature, cocaine-exposed or HIV-exposed and those with depressed moms.

Childhood conditions that have been positively impacted by massage therapy include abuse, both sexual and physical; attention deficit disorder; asthma; autism; burns; some assistance with cancer patients; cystic fibrosis; developmental delays; juvenile rheumatoid arthritis; post-traumatic stress syndrome; and many psychiatric problems. Cognitive performance and disruptive sleep patterns have also been seen to improve as a result of massage therapy treatment on children and youth.

Patient education is an important part of the work that RMTs do every day, whether it be teaching young athletes about their injuries, specific exercises to assist their recovery or the importance of stretching. RMTs have a comprehensive body of knowledge and a broad range of skills to assist athletes.

One of the other questions that the minister asked was about balancing the budget to focus on low-income seniors. Currently low-income seniors are permitted ten visits to supplementary health care providers like RMTs, chiropractors, physios and others. RMTs assist seniors to meet many challenges of healthy aging, and low-income seniors need financial assistance in order to gain increased access to the benefits of massage therapy.

[1245]

Increasing the number of visits for supplementary health care providers like massage therapists to 15 would give low-income seniors a comparatively low-cost health care option. While RMTs can up-charge MSP patients, many RMTs have opted out of MSP because the \$23 MSP rate is too low in comparison to the average professional fee, and that up-charge is unaffordable for low-income seniors.

RMTs can and do treat many of their health care needs, from arthritis to cancer care. RMTs can teach seniors how to move, lift and avoid future injury. Falls by the elderly are a growing concern, and massage is an effective preventative therapy as well as treatment for those who have fallen. For those who depend on wheelchairs, RMTs can assist patients in avoiding painful — and very expensive to the health care budget — pressure wounds and repetitive strain injuries.

I numbered them on the back of your pages. Focus about 15 percent of the health care dollars on health promotion and education. Expand the scope of practice for registered massage therapists so that we can better assist our patients. Encourage and open more opportunities for RMTs to work in a more integrated way with other health care professionals. Increase the number of visits for supplementary health care providers for low-income seniors from ten to 15. Increase the payment to RMTs from \$23 to \$35.

With that, I will thank you very much for this opportunity and wish you all a very happy Thanksgiving weekend.

**D. Hayer:** Thank you very much, Brenda. We appreciate you coming and making a presentation. Thank you very much for the service you provided this province in the past.

My question is about expanding the scope of practice. Can you go into a bit more detail? You said they're trained for more things than what they're being utilized for. What type of service are you looking to expand, and what does the training consist of?

**B. Locke:** Within the scope of practice for registered massage therapy, and within their training, is the ability to diagnose. At present the Health Professions Act does not give them the ability to diagnose a treatment. We're only talking about diagnosis within the musculoskeletal area. So we're talking about muscle and that kind of diagnosis, but we're not permitted, under the Health Professions Act, to do that right now. We can assess a patient, but we cannot diagnose, and it is significant to their training.

**R. Hawes:** Brenda, thank you for the presentation. Mine is about the scope of practice too. As you perhaps know, there was a committee of service providers — medical providers — that met over the last few years to talk about scope of practice. They made a series of recommendations to the ministry. Do you know what the recommendations that came out of that committee were, with respect to RMT scope of practice?

**B. Locke:** I don't. Sorry.

**R. Hawes:** Okay. I'm not sure if that's available, but I think it is.

**B. Locke:** If you're asking if we have been involved in dialogue on scope of practice, the answer to that is yes, we have been involved in that. Where that is within the ministry's priority list....

**R. Hawes:** I wondered about the recommendations that were made by the broad spectrum of providers who did come up with the series of recommendations.

**B. Ralston (Deputy Chair):** If it would be of assistance to the committee.... We have a period up until October 20 where we can receive written submissions. So if you're able to locate that answer, then perhaps you could forward it to the Clerk's office, and that could be forwarded to the members of the committee.

**J. Kwan:** In your presentation you recommend that the number of visits to supplementary health care providers for low-income seniors be increased from ten to 15. Is that only seniors that you are advocating for, and for no other group of British Columbians?

[1250]

**B. Locke:** I responded directly to the questions that were asked by the minister. Certainly, for other people it would be wonderful if they had that opportunity, but we were responding directly to the question provided.

**J. Kwan:** Fair enough. But I'm asking that question aside from the question here.

**B. Locke:** For those people who are eligible for MSP.... We only get supplemental health benefits for people on low income, but for sure, for everybody on low income, that would be a wonderful option.

**R. Lee:** You mentioned that we should focus 15 percent of health care costs on health promotion and education and disease prevention. Do you have any cost-benefit analysis on that?

**B. Locke:** Well, I don't have any cost-benefit analysis I can share with you. We do know, though – and I think it's common knowledge – that studies show that health care prevention.... It's that pound of cure. It is a dollar spent on prevention that serves you down the road. But I don't have an actual cost-benefit analysis.

**B. Ralston (Deputy Chair):** One of our presenters yesterday said that if it were an ounce of prevention for a pound of cure, they should get 1/16 of the budget. I'm not sure. It sounds like you're advocating a little bit more than that, at 15 percent.

Thank you very much for your presentation. It's nice to see you.

We'll move to the next presenters – on behalf of the B.C. Food Processors Association, Tony Toth and Gay Hahn.

**T. Toth:** Thank you very much, folks, for allowing me to present on behalf of the B.C. Food Processors Association. Gay is the chair of our board, and she'll help me answer questions. We're stepping up our advocacy. This is our first brief to this committee. It's actually the first brief, on behalf of this industry, for me, but I do look forward to presenting to you.

Just so you know, we represent the food, beverage and nutraceutical processing industry in British Columbia. We represent micro, small, medium and large enterprises. The industry is quite sizeable. We generate \$8 billion of manufacturing shipments and value-added annually in this province. That produces 31,000 jobs every year, and our payroll is about a billion dollars a year.

Our organization believes in developing partnerships in the public interest. I'll tell you about a few of those, although I'll leave you to carry on and read the brief at your leisure. We definitely want to be solutions-oriented wherever and whenever we can.

The first significant partnership that we'd like to tell you about is the meat transition assistance program. The B.C. Food Processors Association is pleased to be leading that. We are working very hard to encourage unlicensed and new slaughter facilities to upgrade to the new provincial meat regulation. We're really making

significant headway in terms of individual plans and in terms of developing community solutions to finding slaughtering capacity. Local slaughter capacity is critical to maintaining and building economic activity from livestock production and processing in our communities.

With WorkSafe B.C. we're embarking on an effort to develop a food-processing safety institute. The idea there is to reduce workplace injuries and workplace injury durations. There is a great deal of room for improvement in our industry. Our average premium rate is \$6 per hundred, and that's as opposed to the average of \$2 in general. We want to drive those injury rates. Of course, it's enlightened self-interest, because the companies also want to reduce their premium costs.

Related to that, we're in the middle of producing a food-processing industry safety video. We just had a scripting meeting about that yesterday, and by February we'll have a brand-new B.C.-made safety video that will help reduce injury rates.

[1255]

We are participating in the Investment Agriculture Foundation's branding B.C. products and services initiatives. As you know, for the 2010 Opportunities Initiative, branding was identified as the number-one priority, and the B.C. Food Processors Association intends to play a very key role in the branding exercise for B.C. food products. We are also very supportive of the objectives of the B.C. Agricultural Planning Committee because we think it's always a good idea to review agricultural planning and policy. We will, of course, put our best effort towards producing positive plans and recommendations from that organization.

I'd like to bring to your attention one major set of sectoral achievements. All four of B.C.'s federally registered, large animal processing facilities achieved food safety management system recognition, meeting the Canadian Food Inspection Agency's January 1, 2006, deadline. Failure to meet this deadline would have resulted in a tremendous loss of market access for us.

The BCFPA developed a hazard analysis and critical control point facilitation project, in partnership with processing facilities, to access funding through the Agri-Food Futures Fund food quality and safety initiative.

We also would like our overall system to begin to celebrate some of our achievements in the industry. Food processors have nourished us and enriched our culture and communities significantly for a long time. We need to celebrate some of the milestones.

The first one I'd like to bring to your attention is.... I won't bring them all to your attention, but Avalon Dairy celebrated its 100th anniversary. Gay is the CEO of Avalon Dairy. For those of you who were at the celebration, half the political world was out there, at least for the lower mainland. There were thousands of people. It just goes to show you how these long-lived – in her case, organic product – distributing companies are well woven into the community. It is really heartening to see that, and it's something we should celebrate both in business terms and in community terms.

The other one I want to bring to your attention is coming up next year, which is the 100th anniversary of

Purdy's Chocolates. That's one that I personally really look forward to. I expect to enjoy the perks of my job to the max next year.

All this rosy stuff, of course, shouldn't mask the fact that there are significant challenges and problems in our industry. We have a regulatory framework that is extremely impractical. It's unresponsive, inconsistent and unevenly applied. Our industry, like most others, hates useless and frivolous regulations. The good news on this one is that the worst part seems to be coming from the federal system, and our system seems to have a marginally better approach to regulatory reform and reality.

We have a problem with increasing labour costs and a diminishing labour force. We, of course, have difficulties in accessing capital. We really do lack a proper support infrastructure in this province. We lack a proper centre of excellence. One of the main reasons why we are not as robust in our province as the food industries in other provinces, although we are a significant industry, is because we don't have the proper infrastructure to support its growth and development. We have a lack of market information in development know-how. Our research, quite frankly, is not adequate for a globally competitive industry. Associated with that is the issue of education and training. We're having trouble accessing core funding to develop industry capacity. I'll talk about that later on.

I said to you that we are solution-oriented, so we have a number of solutions to bring to your attention. Hopefully, you'll pass them on, and they'll be acted on by the ministries and the Treasury Board. It is their fondest hope.

[1300]

First of all, we support the recommendations of the *Focus on the Future* document. If you haven't seen it, you can see it in two forms: long form and executive summary. It was developed under the aegis of the Investment Agriculture Foundation. It identified five areas that we need to concentrate on.

We need to help industry organizations build their capacity. We have to enhance our marketing capabilities. We have to do human resource development. We have to build and enhance existing research and development resources. We have to coordinate branding of our food products.

We do encourage you to take the framework that they presented as you apply your thinking to our industry. We know that the Ministry of Agriculture and Lands is doing that now.

On a meat enhancement strategy. The truth is that as necessary as new meat inspection regulations are, they have presented unforeseen financial difficulties for local operators. Many operators have been reluctant to comply with the new regulations. But our meat transition assistance program is working well. I'm pleased to tell you that as of the end of September, we have over 55 specific applications. The balance of it will go to community solutions type of arrangements. Already in that respect we've got four or five very significant developments.

The issue really is that if the meat inspection regulations force local abattoirs and other processing facilities to be unable to operate, then the producers in that area will have to truck their cattle and other animals out farther and farther away at greater expense, making them less competitive — and, of course, to a certain extent depriving the local community of good, fresh, local food.

It's really important to get this meat transition assistance program underway properly. While we are making headway, the truth is — and I said this to the minister yesterday — that it's not so much that we need more time, although we could use more time to implement the regulations, but we will need more resources.

When you go into communities and look at the individual plants, what they have to do to upgrade and what other inspection rules they have to now abide by — the cost of inspectors and all that — it does significantly, at least in the short term, increase the costs of their operations. While that can be recouped later on, there should be greater assistance coming from public funds.

I guess the one thing that we would really appreciate from our provincial system is... To the best of our ability, we ought to try to influence the federal folks from being so absolutely radical and excessive with their regulatory requirements and expectations. We have made representations to them directly, but we need support from you guys — on all sides of the House, to be very honest.

We believe it's a good thing for everyone to be committed to regulatory reform. By that I'm not saying anything ideological. I'm talking about that regulatory reform checklist which, as plain as the nose on your face, is not hard to follow. I'll be very honest with you folks. Our civil service system and our local government system really aren't very devoted to regulatory reform at all, even though it's a very simple thing to do. It's a set of hoops that should be jumped through. Otherwise, we're going to have regulatory excess till we're blue in the face.

Having said that, we believe that imported foods must be subjected to the exact same regulatory standards as domestically produced and processed products if locally produced products are to be competitive.

[1305]

I said to you that sometimes organizations like us have difficulty in accessing funding to develop capacity to teach and assist our member companies. The Investment Agriculture Foundation is a great partner. Don't get me wrong. We work with them all the time. Several of the initiatives I've talked to you about have come with their assistance, but everyone's having a heck of a time accessing their funds. They've got tens of millions of dollars, and it's not going out into the field where it could be really used to develop community solutions or help industry competitiveness or workers' safety or whatever.

While it might be gathering interest nicely from a financial point of view, that's really not the purpose of the Investment Agricultural Foundation's endowment funds. I'm told — and I'm new, so I'll believe it — that



it's the federal side that seems to be holding up the situation.

Market development. We really need a common communications strategy. Various ActNow programs have their own communications strategies, and other programs need to coordinate all of this. Most importantly, we need a common branding strategy. I've been involved in that for months. I'm an old public affairs guy. I've had to work with professional branders before in a couple of other industries, and there's one fundamental observation I'll make.

We absolutely must use a professional brander to lead that exercise. Branding is an internationally competitive activity. It's a technical exercise. It is not something that you want to leave to amateurs. Don't take this wrong, but government officials aren't branding experts. We really must use, as early as possible, a professional brander to lead that exercise. Otherwise, we're going to lose in terms of the international market.

We know this works. In the tourism industry, Super, Natural B.C. is a technical branding product developed by Al Wasserman. It's stood us in good stead for what must be 15 years. We can do that with foods as well. It only has to be professionally done, not cobbled together.

I'll close with a last one. We absolutely desperately need a centre of excellence providing research, product development, pilot plant and other services designed to strengthen and expand the capability of British Columbia's food processors. Other provinces have this. Ontario has this. They've got a fantastic centre in Guelph. Alberta has a fantastic centre in Leduc. Even Manitoba has one.

This is the kind of centre which is a business and concept incubator where the small guy, the micro-guy, the startup guy can go and test the product, its marketability, its packaging. Then that launches into, quite frequently, very successful businesses. We know that works. We do that with the Community Futures programs in the local communities. This is a critically lacking instrument that we need in our province.

It would cost about \$8 million to start it up. After that, it would be self-sustaining, and the benefits would be immediate. It would be much magnified beyond the \$8 million. As I say, at least that way we would be able to match our supportive efforts to those of other provinces, like Manitoba.

That's the end of my highlights, and we'd be pleased to answer any questions you may have.

**B. Ralston (Deputy Chair):** Thanks very much for your presentation. You packed a lot of information into your first presentation. I appreciate that. Unfortunately, our schedule is such that we don't have time for questions. I know that if individual members of the committee have questions, they'll contact you directly.

**T. Toth:** My contact information is there, and I'd be happy to talk to anyone that would like to. In fact, we'd be happy to meet with groups of MLAs as well.

**B. Ralston (Deputy Chair):** I'm including myself in those. I have a few questions as well, but we've got to stick to the schedule. So thank you very much. Nice to see you.

The next presenter is Dr. Skip Bassford from the University College of the Fraser Valley. Skip is the president, as I recall.

**H. Bassford:** Yes, I am. Thank you for allowing us to appear. Before I start, I will have some questions for Tony Toth, having just heard his need for a centre for development around food products.

**B. Ralston (Deputy Chair):** I can see the wheels turning already.

[1310]

**H. Bassford:** They are. Anyway, I am here. I do represent UCFV. Let me start with just a very few facts. We've grown. We now have over 10,000 students annually in our diploma and degree programs. Our operating budget is over \$63 million. We've grown 72 percent in under ten years in FTEs. We now offer 80 different programs or diplomas, 12 bachelor's degrees and Canada's first master's in criminal justice.

Our catchment area is the fastest-growing proportionate that we have. It includes Canada's fastest-growing city. At the same time, it includes a population that is clearly significantly deficient in terms of post-secondary credentialing. Abbotsford, for example, has the lowest population — this is Abbotsford and Mission; they combine the Canadian census metropolitan area — with university degrees in Canada. It's for both those reasons that UCFV has strained its resources, undercut what we did for our administration and some of our buildings, so we put more students in the classroom. We've consistently run several percentage points, last year 9 percent, over our funded FTE capacity.

Now let me perhaps get to why I want to talk to this particular committee. Our funding over the last decade and a half has changed from about 85 percent from the ministry to about 56 percent this year. This increasing reliance on our non-ministry sources has really made us have to pay careful attention to our economic environment as we plan for the future. I should tell you that we do fully expect to be responsible for raising more than, or at least, 60 percent of our operating budget by the end of the next decade. That's a significant increase in non-dependence on the province.

I think this is a problem, a challenge — whatever you want to call it — that post-secondary institutions are facing. Let me just give you a few ideas of why I think this is so. It has to do with trends that are clearly here. They're trends not just in B.C., but in B.C. health care costs are increasing in the near future. The baby-boomers are aging. As the Minister of Finance said recently, the Health Ministry budget could consume over 70 percent of provincial revenues in coming years.

If one just looks at the demographics and the cost amount of health care utilization rates for people over

65, I think you can confirm that her figure is not completely inaccurate, and that's assuming overall budget increases. We're pretty healthy right now, and our budget can go up, but proportionally, that's so. I think it would not be facing reality to believe that a decade from now, there will be revenue levels available to richly support much more than health care, our social service entitlement programs, our K-to-12 education system. There won't be vast quantities to put in university colleges. There'll be fewer taxpayers. That is just demographic fact.

We are facing revenue challenges. Beetle-kill challenges the interior forest industry. Just simple cost economics challenges some of the coast forest industry — fish stock, fish farm uncertainty. Much of our resource is uncertain and challenged. Oil and gas royalty and rights revenue can be quite large. We also know they're volatile. They go up; they go down. It's hard to depend entirely on them. Finally, I think we have well-documented, clearly growing labour market shortages that can threaten private industry growth, as they threaten the provision of public services.

[1315]

I think what all this means is that UCFV and other post-secondary institutions have to be ready to move to a higher degree of self-funding or simply face quality erosion and produce a poorer service for our students. I don't think this is a partisan issue, by the way. I think it's simple economic reality. Much like current thinking in health care models, we had better excel at our competitive advantages.

In terms of public post-secondary education, three things will be critical to our province's ability to meet the financial environment I've described.

First, we have to boost productivity. Increases to productivity will become essential to sustainable public services and products. This depends — and this is a simple fact — on complete and continuing access to post-secondary education and a quality post-secondary system.

Second, we must support innovation, research and technology transfer. We have to commercialize them as products as quickly as possible. From health issues to the pine beetle to the reduction of crime: research, technology and innovation activities, homegrown for the B.C. market, will decide if we make progress or hold our own in the face of oncoming economic challenges.

Third, we must allow post-secondary institutions the freedom and the tools they need to build high-quality institutions. We can't rely on importing intellectual capacity, because everyone in the world is after it. There's tremendous competition. Many leading business leaders are now saying that intellect is the only non-commodity left. Intellect is what produces success, and it's the single most important ingredient for long-term sustainability.

With that said, I'd like to make three specific recommendations, which involve the entire continuum of post-secondary education in B.C., not just UCFV.

First, I would urge that the major research-intensive universities in British Columbia have to be funded to

win. If we aren't market leaders on research and innovation, then we're lost.

B.C. deals commodities in the global market. We compete with countries that pay little in labour costs and that have few environmental regulations. We can't compete just on cost for that reason. We can compete on quality, innovation and speed.

That requires B.C.-grown expertise. That means that the B.C. research-intensive universities, such as UBC and SFU, must have funding at that graduate-studies level and have high-level research programs in order for all of us to have the tools to win globally.

Second, I think you need to recognize that the community college system, the two-year colleges in our province, can service the widespread B.C. population distribution on a sustainable basis, but that has to be ensured.

The rural colleges are under great stress right now. While distance learning and Internet-based learning are a real part of the cost solution — they genuinely are — they're not enough to finish the solution. The college system anchors community learning capacity and intellect in smaller communities throughout B.C., and both the rural and the urban colleges provide upgrading, re-skilling and credentialing — all of which are crucial for them to have a skilled workforce.

[1320]

Third, and here I am talking about UCFV, recognize that the larger regional centres require regionally directed universities if these centres are to have the intellectual capital, the intellectual capacity that they simply must have if these centres are to develop in this century's knowledge economy.

This task was well begun with universities in Prince George, Kamloops and Kelowna. It should be completed, I believe, by removing the word "college" from the names of the three remaining university colleges. That name is inaccurate and, I'm sorry to say, misunderstood, not just here but around the world.

UCFV, for example, gives 12 bachelor's degrees. We're a fully accredited member of AUCC. We participate at university-level CIS athletics programs. We're recognized by all of the federal granting agencies as a de facto university in their awarding of research funding.

Basically, the name derives from when the UCs were started and offered degrees through established universities — a wonderful way to start us. But that time is long gone, and today the name simply serves to reduce the value of the degrees to our students in terms of the perception of the quality of degrees, even though our teaching is second to none. I can prove that easily.

It hobbles our student and faculty recruitment and retention efforts. It critically reduces our potential to raise funds through donors, sponsorships and business partnerships — as we may see, when I talk to them — and it does indeed stifle our international education programs. All of those programs are what we need to have us be successful if we are to do a better job of creating more of our own income without as much dependence on the province.

The government has made promises. They've followed through with Thompson Rivers University, which used to be a university college. I would urge that you extend the branding to the rest of the UCs, just so that we have a level playing field and we can compete in the face of the challenges I've described today.

We know that the government has launched the Campus 2020 exercise. We're anxious to take part in it and are already. We will carry this kind of message as well. But we think to separate the Campus 2020 exercise from the overall financial challenges of budget preparation would be shortsighted.

I look forward to your consideration and support. Thanks very much.

**B. Ralston (Deputy Chair):** Thanks very much. We have time for a couple of quick questions.

**D. Hayer:** Thank you very much, Skip. It was a very good, very fair presentation. My question is: if we were to change the words from university college to just universities, how much extra cost in total do you think we are looking at? One of the questions the Finance Minister had asked us was: where should the money be increased? Where should the money come from, and how should we spend it?

**H. Bassford:** Indeed. There are two things to be considered here. First of all, in Thompson Rivers all the extra costs went toward moving the Open University to there and not to what had been the university college. So in one sense, it need be none.

In my discussions with the deputy minister, she believes that UCFV needs to have ranks to enter the university status. We haven't had associate full professor or assistant professor ranks. We've calculated that it would cost us about \$2.2 million overall to introduce ranks. We also have given, in our application for university status, a means by which we can generate those dollars without asking the province for any money for that.

Other than that, the cost is in rebranding — about a half-million dollars — and probably about that much to bring some of our library up better.

[1325]

**R. Hawes:** Well, Skip, I think you just answered the question I was going to ask, but I do want to make sure that... Perhaps you could answer this question, then. Can you single out a single place in British Columbia that has a population base the size of the area served by the University College of the Fraser Valley that doesn't have a full-status university, that operates under the university college title?

**H. Bassford:** Truth be told, our catchment area of the Fraser Valley is the largest population area in Canada, not just in British Columbia, that doesn't have a university.

**B. Ralston (Deputy Chair):** I think he might have known the answer to that question.

**H. Bassford:** Yes. Thank you for that.

**J. Kwan:** I note in your presentation you mentioned that over the last two decades the sources of funding from government have changed from about 85 percent to about 56 percent.

**H. Bassford:** That's correct.

**J. Kwan:** In your recommendations you call on the government to invest in various areas, including investing in a major research centre in terms of universities to ensure that they have the global opportunity to win. Then your second recommendation talked about providing B.C.'s population on a sustainable basis in terms of services in the college system. Can you explain these to me and then, more particularly, tell me the dollar figures that you're looking for?

**H. Bassford:** First of all, I'm not looking for the dollars to UCFV. I only look for dollars as our student numbers grow — proportionate to that. In terms of the rural colleges, they have been operating where they've been financed on an FTE basis, and they haven't been able to produce the student numbers to equal their FTEs.

I think when you look at the real demand, if we want to have sustainable, college-level education out around the more distant parts of the province, we're simply going to have to spend a few million over time to assure them that they will be able to operate even though it costs a little extra. That doesn't mean you have to spend a penny more for the urban colleges. They're doing about as well as we are, and we're doing well.

In terms of the larger universities, I think what I'm really asking for here is that there has been a suggestion made that we need more capacity in the schools, and we've been assigning FTEs around the province. It's my belief that with the demographics, not everyone will be able to rise up to fulfil the demand for those FTEs, and I think we should look at a larger number of those FTEs actually going to their graduate studies programs. Probably that's in the order of a couple thousand FTEs or maybe three beyond what is currently planned.

If you look at Ontario, they've just done that. They put an additional \$50 million immediately into graduate programs. The reason it's important is that Canada doesn't turn out the doctorates that we need for both scientists and professors to fill the changing gap, the changing population in university.

Again, it's not as though I'm suggesting that the province can or has the ability to reach down and stop funding other things or come up with even more money and give it to UBC. But I think some reallocation of the future plans for the next three or four years could help them or Simon Fraser considerably.

**B. Ralston (Deputy Chair):** We'll endeavour to muster the intellectual capital of our committee to

work on some of the challenges you've posed. Thank you very much.

The next group is the Greater Langley Chamber of Commerce. I have Bev Dornan presenting.

It looks like you have someone with you.

[1330]

**B. Dornan:** Good afternoon. I'm Bev Dornan, the immediate past president of the Greater Langley Chamber of Commerce. Joining me today is our executive director, Lynn Whitehouse. I'm representing here in place of Ed Kolla, who was our first vice-president and the head of our transportation committee, but he became ill, and I'm filling in.

Our chamber represents over 1,100 businesses operating within the city and township of Langley, which are mostly small- and medium-sized businesses. We thank you for the opportunity to make a presentation on behalf of these members.

We are also active members in the British Columbia Chamber of Commerce and participate in the formation of and support of the policy resolutions that have been presented to the cabinet ministers and all provincial elected representatives. We also support the B.C. Chamber's submission to the standing committee considering numerous topics including education, health care, taxation and debt reduction.

Three priority issues identified by Langley businesses are transportation, skills shortage and crime.

Transportation. Langley is one of the many Fraser Valley communities which form the corridor for all land-based transportation from the Pacific Ocean to points east. Our community is transected by many rail lines as well as Highway 1, Highway 1A, Highway 10 and many other roads which are used as main corridors throughout the region.

We applaud the provincial government on the announced gateway program, established to address the existing gridlock and congestion, to improve access to economic gateways and to improve the movement of people and goods in and through the region. You have our full support for this initiative, and we urge you to continue to move forward to see it through to completion.

In densely populated areas like the lower mainland we see a definite need for a regional transportation authority. The true gateway to Vancouver and the ports begins in the east at Hope and extends west to the Squamish-Whistler region. We recognize the need for transportation planning and implementation for the benefit of the entire region, such as the planning and, over time, implementation of a southern east-west corridor beginning in Abbotsford and continuing through Langley, Surrey and Delta.

Just as GVRD communities currently support transit and transportation through levies on property taxes, the gasoline tax, etc., similar revenues should be generated from all communities within the geographic region based on transportation services to those communities in consultation with the impacted municipal governments and key stakeholders. We also feel that efforts must be increased to gain the support and participation of the

federal government in transportation planning and return of a greater portion of the fuel tax.

The Greater Langley Chamber of Commerce also supports the P3 and user-pay concepts and does not oppose tolls on infrastructures such as bridges. We do, however, recommend that such tolls should be applied to all similar infrastructure throughout the entire region to lessen the burden and facilitate a lower, affordable toll for all users throughout the entire region.

The lower mainland is seen as a major Northern American gateway to the Asia-Pacific and the world. The chamber recognizes the important role that western seaports play in the provincial and national economy. However, throughout the province the increased rail movement is having a negative impact due to traffic backlog. It is creating unacceptable delays in the increasingly heavy urban traffic, with subsequent safety risks, environmental concerns and costly delays to the movement of people, goods and services. Once again, we recommend that the federal government be lobbied to include funding for the infrastructure development in future expansion projects that will increase rail movement throughout the province.

Skills and trades. The skills shortage in British Columbia is an issue that has come up on everybody's radar screen and must continue to be a focus for us all. More and more, B.C. companies are unable to grow and prosper due to a lack of skilled and talented workers. This is having a negative impact on our economy. The Greater Langley Chamber of Commerce supports the recommendations put forward by the B.C. chamber in their report *Closing the Skills Gap* and urges the provincial government to continue to move forward to implement each of the recommendations put forward in this report.

We applaud you, also, on the introduction of the training tax credit and encourage you to explore any and all opportunities to increase this program to maximize employers' abilities to provide training.

[1335]

The demand for skilled labour has increased over the past decade, and the country's aging population and low birth rate are cause for concern in the near future. Health care, education and skilled trades have been identified as sectors at risk for shortages. A situation has evolved whereby employers in British Columbia need more skilled and educated people to fill their vacancies, while at the same time there are talented newcomers to this country who cannot find employment or who are underemployed. This situation illustrates the need to better integrate immigrants into the labour force. We strongly urge the provincial government to work closely with the federal government and territories to eliminate barriers and encourage internationally trained professionals and tradespeople to immigrate to Canada and B.C.

Crime. Property and drug-related crime are increasing in the province throughout most urban centres, are threatening the level of public and visitor security and safety and are having a real impact on business. Drug addiction drives numerous types of crime, including

property crime, robberies, prostitution, drug trafficking, assaults, weapons offences, homicides and more. The situation is complicated by the fact that many addicts also have mental health problems.

Key factors contributing to property crime include drug addiction, insufficient police, insufficient prosecution resources, weak sentencing and inadequate treatment facilities. It is imperative that steps be taken to address this serious problem in British Columbia's cities, including increased levels of policing, improved sentencing, adequate prosecution resources, treatment for addictions and mental health, and creation and support for prevention programs.

We strongly encourage the provincial government to take a lead role in bringing together all levels of government — police, prosecutors, the judiciary, authorities responsible for the treatment of drug addiction and mental health problems, those responsible for housing the homeless, and health authorities — to identify and move to implement measures to reduce the crime.

Once again, I thank you for the opportunity to highlight the major concerns to business operating within our jurisdiction and to provide input in your deliberations.

**R. Lee:** Thank you for your presentation. Are there any ways to cooperate — for example, government, RCMP and business — to address the crime problem?

**B. Dornan:** Lynn, you can address this. You're on the safety and security commissions.

**L. Whitehouse:** There are some efforts that are happening now in our community that I do know of, where the business community is very much involved in working with our RCMP and our municipal representatives to develop prevention programs. Obviously, our focus is on drugs and addiction in business or in the workplace. But it really is a problem that I think everyone is just finally recognizing and saying that it is here, and we really need to take steps to address it.

**B. Dornan:** I think that as the city.... You know, in Vancouver, the larger urban centres are making efforts to clean up their problems. It is moving farther and farther out the Fraser Valley, and as more and more and people come out here, the problem, which we didn't really consider as a big problem, is becoming much more pronounced. In the Fraser Valley we didn't consider homelessness, until the last few years, as being a serious issue. But it is now.

**B. Ralston (Deputy Chair):** I put myself on the list next.

In Chilliwack there's a rail overpass that was built through the centre of town, which obviously makes movement across town easier. Is that what you're thinking of, when you talk about rail movements disrupting the business in the centre?

**B. Dornan:** Yes. In Langley when a train goes through the five major crossings, it shuts down the whole urban area. It totally shuts it down. We're in the process of creating one overpass over one of the sectors, but we need more. One isn't quite enough, because it literally encircles the whole town when the trains go through. You can't get emergency vehicles through, the RCMP. I mean, you can wait up to 20 minutes when the longer trains go through. It's very serious.

**R. Hawes:** You can't get MLAs to the ferry either.

**B. Ralston (Deputy Chair):** My colleague is saying that you can't MLAs to the ferry. I'm not sure whether that's a benefit or a deficit.

**J. Kwan:** You mentioned, especially in your last point, the issue around crime, addiction, homelessness and so on. Then is it your view that the local governments also should be more receptive in having services that would actually meet the needs of that population base in your own communities? I gather from that that there is a lack of services in supporting these individuals.

**B. Dornan:** Langley itself is just working on a community-based project to develop a homeless shelter in conjunction with the Salvation Army and all those different community clubs and business people in Langley. It's just getting off the ground now, but it's just a start.

[1340]

We need addictions services. Housing the homeless is not just the problem. You've got to have the support services to clean up all the problems as well.

**D. Hayer:** Thank you very much for your presentation. When I was driving by this morning, I saw some sort of ramp being built on the Highway 10 connector to 103rd street. Is that going to be going over the railroad tracks? Is that what you're talking about, or...?

**B. Dornan:** Yes, that's one of the ways. That's north-south to go over the railroad track. They're also trying to acquire the land to do an east-west one as well, because it will facilitate part of it. But it will increase problems in other areas, because you can't get east-west.

**B. Ralston (Deputy Chair):** Any other questions?

Thank you very much for your presentation and bringing your concerns to the committee.

That concludes that portion of the meeting. We're now going to move to the open-mike portion, and the rules here are somewhat different. Each presenter is offered a maximum of five minutes to present their views. The first person I know of.... There are three, and two of them have been waiting. I'm sure all of them have been waiting patiently, but the first one is Stirling Angus.

**S. Angus:** I believe that most of you here at this committee have seen me in other situations with the Truck Loggers Association. I'm here today to speak to you as part of my own business, just so that's clear. I'm a forest consultant, and it's come to my attention recently, since this committee has been struck, the issue of log exporting.

I'd like to talk to your committee and put information on the record, because this is a very important issue to me in my own business. It helps support my business, and it helps support many of my clients. I feel that it is such a complex issue that anything I can do to help explain the reality of what's going on in the woods and how it affects people like myself.... I want to read that on the record.

What happens in a lot of cases with forest operations is that the logging is a critical part of the whole forest industry, and we're in danger of losing that capacity to log. Many areas need a certain component of log exporting in order to make them viable.

Log exporting is a very emotional issue to a lot of people. In Canada we value our forests, and we see our trees for the jobs they create, but the reality is in many cases that those logs.... In order to get them into the other industries, we have to make the logging economical. It has to be profitable. Log exporting allows us to do that when we export a certain component of that wood.

There is a committee going on right now, and I just want to ensure that you take this information back to government, back to the House, and that everyone focuses on that and makes the effort of realizing how important it is.

Last year my calculations indicate that there were approximately 4.7 million cubic metres of wood exported from the province. About 1.3 million cubic metres of that were Crown tenures. The rest was private wood. Using Ministry of Forests numbers, my calculations show that that directly supports about 3,300 jobs in the forest industry — direct logging jobs, not indirect jobs related to logging.

As many of you know, the best social program there is, is a job. Those jobs exist in many of the rural communities that are not experiencing the economic rush that is occurring here in the Greater Vancouver area.

Government revenues come from those logs, even as they're exported. There is stumpage that is paid on those logs. In fact, because of having the export market, bid prices are bid up, so that there is a higher stumpage rate paid on it. There is fee in lieu of manufacture that gets paid to the government, as well as all the payroll taxes that are related from those additional 3,300 jobs that are involved in the logging industry.

That, in a sense, simplifies my presentation to you. I just wanted to read that on the record. Many of us right now in the forest industry, because of having a long, dry summer, are working very hard in order to get out into the woods and produce the logs that are needed to support this province. At this point I've talked to several of my colleagues, and all of them — individual business owners — are in agreement with what I'm saying.

**B. Ralston (Deputy Chair):** Thanks for bringing that to the attention of the committee, Stirling. That will be included in our deliberations and, I'm sure, passed on to critics and ministers in the relevant areas.

[1345]

The next person I have is Laura Yake.

Thanks, Laura. I think you are someone who has been here all day.

**L. Yake:** Thank you for the opportunity to present. I just wasn't sure if people were going to cancel or not show up. First of all, I had initially thought that this was a hearing relating to the HSCL ministry budget, but after speaking to Randy, I realized that it was on the full budget.

Nonetheless, I'll make you aware of some issues that I'm involved in. I'm the executive director for the Centre for Epilepsy and Seizure in British Columbia. Formerly, we were the Fraser Valley Epilepsy Society. Initially, at our inception, we were a regional, local organization, but due to the demand and success of our programs and the numbers of those affected and those that deal with epilepsy and seizures in the province, we became a provincial organization.

The number of people affected is 40,000 in British Columbia — one in 14 seniors, 1 percent of the total population. And 50 percent of those are diagnosed as children. About 50 percent of your HSCL, your ministry of community living, are people who have seizures. About 30 percent of kids with autism, when they get older, will also develop a seizure disorder. Kids that are in the supported child care and infant development program also are within that category.

The cost to you, our government, in health is astronomical. In 2003 Dr. Lionel Traverse, our founding president, presented to the Health Caucus Committee that the cost per patient — and this was extrapolated from several international, well-recognized studies — is \$7,000 per patient. At 40,000 people that translates to \$280 million — okay?

The state of affairs. Right now, from a standardized program that we've developed, the past six years shows that in testing, medical-education-support child care professionals seriously fail a simple, basic test about the care, management and knowledge of seizures and epilepsy.

The effects of this are that more than 70 percent of patients do something medically dangerous to their own self-care and management. It equals increased emergency room visits, physician visits, and professionals do not understand critical elements of care for those that they're providing services to. Educators do not possess the knowledge or the resources to properly plan and manage the education of a child who has epilepsy.

Nurses and nursing support within the Health Ministry. HSCL nurses do not have resources, other than what we supply them, to provide to hundreds of care facilities for adults.

The number one cause of emergency room visits in the province is due to breakthrough seizures or status seizures. The result of that is non-compliance in medication for people who have epilepsy.

People don't understand the urgency and the critical need to adhere to medication compliance. Parents are unaware of home intervention treatments that they can use instead of going to emergency rooms. Seniors are often misdiagnosed with Alzheimer's or dementia. Studies show that the average diagnosis time for a senior can be up to two years with repeated — repeated — physician visits.

Mental health professionals confuse symptoms of seizures as psychiatric issues. Those with depression are overlooked and not specified. Epilepsy patients are seven times more prone to depression and three times more prone to suicide. Women who are on anti-epileptic drugs are three times more likely to have malformation birth developments and birth defects.

The solutions. Even a 1-percent injection back into education and a provincial strategy to change the abysmal state of knowledge, support, education and resources would change the impact to the cost that this has on our health care system.

That would be about it.

**B. Ralston (Deputy Chair):** Great. Thank you for bringing that to our attention, and I'm sure we will reflect upon that in our consideration of the issues that are before us. So thank you very much for making that presentation.

The next presenter is Karen Young.

[1350]

**K. Young:** And, I think, finally, you lucky people.

My name is Karen Young. I'm here today as president of the Abbotsford Symphony Orchestra Society and a representative of the arts community, as I sit on several arts-related committees, and I'm a business owner in town as well.

Funding for arts organizations. Abbotsford, as I'm sure you've heard several times today, is the fifth largest city in British Columbia with a rapidly growing population. The population attracted here by business is well-educated and demands social infrastructure.

Cultural tourism is recognized as a multi-million-dollar venture. This includes events taking place in infrastructure and benefits individuals, creating jobs, business, communities and the province.

The Abbotsford Symphony Orchestra is a fully professional symphony. To us that means, ladies and gentlemen, that we pay union rates. It's not cheap.

Symphony orchestras all over the world operate at a deficit. Typically, ticket sales make up 40 percent of revenue, with the balance coming from sponsors, donors and grants.

We at the Abbotsford Symphony Orchestra operate responsibly — in the black. We have many volunteers and supporters, including musicians, community members and community organizations such as Tourism Abbotsford. We offer content that reflects our traditional community. We carry a financial burden every year and compete with arts organizations around the province for shrinking dollars.

In our experience, arts grants are made to organizations that are already receiving grants, making it difficult for new organizations to successfully apply. As well, some of the terms for receiving grant money are tied to new work and Canadian content, with proof that these criteria are met — as in, have been met. What is not considered is that Canadian content is more expensive to produce, requiring more rehearsal time as the material is not familiar.

It becomes a chicken-or-the-egg type of conundrum. Do we receive funds in order to provide enhanced services? Where do the funds come from in order to, and so on? I respectfully request that you open up the funding requirements for arts grants and increase the amount of money available to professional organizations.

In a meeting that we had with the B.C. Arts Council several weeks ago — John van Dongen and I — they said: "Well, we give to 17 organizations, and we've always given them this amount of money. Who do we take it away from?" So it is a bit of a problem.

One other thing I wanted to mention in support of some of the speakers earlier today is in support of arts infrastructure, as I know that we have things going forward in this community that could require some partnerships.

Thank you.

**B. Ralston (Deputy Chair):** Thanks very much. The arts community throughout the province has come forward in full force at many of our hearings to make presentations along the same lines, so you're not alone.

I don't see any further speakers, so with that and with the consensus of the committee, we'll adjourn here in Abbotsford and continue on at our next appointed destination.

The committee adjourned at 1:53 p.m.





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