

Premier Gordon Campbell
Address to BC Real Estate Forum
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Check Against Delivery

Thank you, it's great to be here. I think sometimes when you live in the Vancouver region you forget how much we have in the way of assets, and how we can build a better and a stronger economy on the basis of those assets.

We said to the people of the province that if we were elected, you would have a dramatic personal income tax cut. On our first day in office we delivered on that – with a 25 per cent cut across the board.

Today the people of British Columbia pay the lowest base rate of personal income tax on the first \$60,000 of their income. In fact, in British Columbia we now have the second lowest marginal income tax rate in the country.

Why did we do that? We did it because our government believes that people are the most important natural resource that we have in the province. If you don't have the jobs and the money to attract people – the keys to keeping the best and the brightest here in the province – we are going to watch as our economy deteriorates. That's what we saw throughout the 1990s.

We have to change the way we think about our human resources, if we're going to move forward and take advantage of the assets that we have in front of us.

So our personal income tax cut was designed specifically to try and stem the flow of some of the best and brightest British Columbians out of our province, and to help industry in this province recognize that we are actually going to try and assist them as they build their human capital.

From what I've heard from various industry leaders, particularly in the technology industries, that particular strategy is working.

Paul Hastings is the new CEO for QLT, which is one of the most successful biotechnology firms in the world – not just in Canada, not just in British Columbia, but in the world. Paul has pointed out that it is now possible for him to go out and recruit people into British Columbia, whereas before our technology industries were being told that to grow and attract the people that you need, you're going to have to relocate outside of our province. In fact 50 per cent of all new jobs being created by BC's technology companies in the year 2000 took place outside of British Columbia. We thought it was important that we reversed that trend.

People are critical to the development of an economy that works in the long term. So the dramatic cut in personal income tax was clearly a first step that we had to take – but there were many other steps that we also had to take.

We want to encourage investment, so our government's philosophy is that you don't tax it. I'm pleased to say that by September 1st of this year the corporate capital tax on non-financial institutions will be eliminated in British Columbia.

That should have an impact on people's ability to invest and their interest in investing. All of these issues are related, so when we deal with one we have to deal with the next and the next. There's a whole series of decision points that investors look at before they decide to invest in our economy.

We started with income tax, but there was another tax that was causing a lot of problems in our economy. We were falling behind dramatically in terms of productivity in our province, so we had to take the taxes on productivity out of the equation.

Last July we eliminated the tax on machinery and equipment in this province to encourage productivity gains in all sectors of our economy. That has made a significant difference in people's lives as well.

We reduced taxes on jet fuel, because we think that should be a competitive advantage for us in British Columbia, and we eliminated the tax on bunker fuel. This will make a difference to our ocean port as it continues to have as much throughput as we can develop.

These things are part of a strategy to reinvigorate the economy and move it forward. We've reduced 13 taxes – and we've left a billion dollars more in people's pockets and \$400 million more in investors' pockets – because we believe in the long term they will make the best choices about what to do with their resources.

That has had some impact, but there is no question that we've also been hit with a number of difficult economic circumstances over the last year. So that we knew exactly where the government stood at the beginning of our term, we appointed an independent Financial Review Panel. Seven people from across the province with accounting and business experience came and looked at the books, and then told us where we stood.

A year ago the Financial Review Panel pointed out that the government was running in a "fundamentally unsustainable manner" and was facing a \$3.8 billion structural deficit. Put simply, we were looking at spending \$3.8 billion more dollars a year than we were taking in.

That was before the Financial Review Panel knew that, just one week before the election was called, the previous government had passed legislation that help add \$415 million in labour costs to taxpayers – and there was no funding for it.

That was before we discovered that BC Hydro would contribute \$45 million less to the government's bank accounts. ICBC was almost \$260 million in the hole, versus the \$75 million profit that the Financial Review Panel understood.

We had not completed the negotiation with the doctors – an additional \$392 million to compensate them – and the panel didn't know what the cost of the nurses settlement would be when they estimated the structural deficit.

If you look at the information that we uncovered and discovered as we went through the first three or four months in office, you'll know that the structural deficit that British Columbia was facing was in the order of \$5 billion.

We had to act to get our financial house in order. No one enjoys having to get costs under control. No one enjoys having to say, "I'm sorry but we can't do that any longer."

What we said to people last year was that the quality of life people have in the province is defined by our natural environment, by the quality of our health care, and by the quality of our education system. That's what people look at when they come here, as well as our tax regimes and our regulatory codes.

We explicitly said during the election campaign that we would not cut funding for health care or public education. Indeed – and I want to underline this for you, because I think it's important when you listen to some of the rhetoric that goes on outside of this room – we have added almost \$1 billion to the health care budget in the last year. In fact, in the last two years our health spending has increased 20 per cent. People who are telling you that we are cutting back on health care are simply not telling the truth.

This is the truth: we are changing health care. We are changing health care to focus your dollars on patients in the health care system. For years we watched as waitlists grew, as people didn't get the care that they needed in various parts of this province, including here in the Lower Mainland.

So we said we have to have a long-term plan. For the first time in the history of this province, next week you will see the long-term plan for the delivery of health services to patients across British Columbia. Regardless of whether you live in the northwest or the southeast, Vancouver Island or the Lower Mainland, there will be a plan for health authorities to actually meet standards for patient care.

There will be accountability contracts so the dollars invested in health care will count for delivering the services that you expect. We believe those are critical first steps for establishing an open, accountable health care system that works.

Investors will look at British Columbia and say, I can go to that jurisdiction because they have figured out how to deliver care to the people working in our enterprise.

We sometimes forget what a huge advantage Canada has over the United States in terms of our health care system. At General Motors, you will find that their corporate health care expenditures are greater than the cost of steel to manufacture their cars. If they want to invest in Canada they get the steel for free, because we provide them with the health care – even with the tax regime that we have.

We think that's a huge advantage that we can and will build on. Here in the Lower Mainland there are enormous opportunities in health care. We recently announced a significant new development which will almost double the number of physicians that we train in British Columbia – the new BC Life Sciences Centre at UBC.

There will be two satellite campuses – one at the University of Victoria, specializing in geriatric medicine, and one at the University of Northern British Columbia, specializing in medicine for rural and remote communities across this province.

We've increased the number of nurses that we train in this province. We've increased the flexibility of our training programs to make sure that health care is available to people throughout this province.

And as we've done that, we've also maintained our funding for education. Indeed, we've increased our funding for education in a number of areas, particularly in the areas of research and development.

I pointed out earlier this week that we have committed \$150 million of your tax dollars – I recognize that they're yours – to double the number of technology graduates in British Columbia. We will double the number of computer scientists, electrical engineers and computer engineers as we move to take advantage of the technological opportunities that are in front of us. We want our technology industry to be the number one growth industry in the country and to be recognized as one of the top 10 technology centres in the world.

Obviously, as we stir up economic activity we have to have a construction industry, a development industry, that meets our needs. One of the challenges faced by government was the overwhelming burden of regulation.

It has been estimated the cost of the regulatory burden on our economy in British Columbia is about \$5 billion. Now I don't want to leave the impression that we will have no regulation left in the province – we will. It will be regulation that focuses on public safety, on environmental standards, on worker safety. We want our regulation to have some semblance of credibility and rationality.

ICBC used to have a regulation that told automobile repair shops how often they had to dust blinds. Just think about that: you take your car into an automobile repair shop and you say, before you give me your estimate let me just check out the cleanliness of your blinds. I don't know who thought up that regulation but I can't imagine what the person was doing or why we were paying that person. And I don't want to pay anyone to enforce that regulation.

We are going to cut the regulation on business by a third over a three-year period. The first year of that three-year period is actually being taken up by trying to define how many regulations we have.

We have over 400,000 regulations in British Columbia. We have now cut 4,000 of them, but clearly we have a long way to go. The Workers Compensation Act alone has 35,000 regulations, Employment Standards has 5,000, Forest Practices Code has 10,600, and Liquor Control and Licensing has 5,900.

What we're saying to you as an industry is that if you can think of regulations that make no sense, that you think we should get rid of – regulations that get in the way of you providing the maximum benefit to the people that you serve – let us know.

Kevin Falcon is the minister of state for deregulation, and I can guarantee you that he will put your comments on the list and we will go through them. Every cabinet minister has responsibilities for looking at the regulatory burden, but we need to hear from you.

I used to be involved peripherally in this industry and I remember the kind of regulatory burdens that we faced, provincially and locally. But if you don't tell us what the impacts of the government's decisions are on your actions, we won't know.

We're looking at three acts right now: Workers Compensation Board, the Labour Code, and Employment Standards. Graham Bruce, our minister of labour, is working very hard to create new codes that are modernized, that reflect the flexibility required in the world we live in today, and that understand the burdens placed on industrial sectors across the province. He's looking at our goals and making sure that what we're doing is actually helping us reach those goals.

We believe that to move forward we need to not only create an environment that encourages investment – that says British Columbia is open for business and we're ready to serve – but also says we can create the kind of quality of life that's essential, not just for investors but for employers and communities across the province.

We believe that the Lower Mainland is an exemplary community. There are enormous reasons for people to invest here, if we can just coordinate our efforts, focus our resources, and go after those investors. To be candid, one of the reasons head offices left British Columbia was that people in head offices didn't like our tax regime – and they're not coming back without an awful lot of work.

We're going to have to create new opportunities for head office development in British Columbia. We're going to create opportunities for new industries to develop, whether in technology, biotechnology, or in revitalizing our forest industry.

Everyone should understand that we all depend on the forest industry for a healthy economy in British Columbia.

There's not one of us who isn't touched when we go through the kind of dramatic exercise that we've gone through over the last year with regard to the softwood lumber dispute in the United States. Forestry still makes a major contribution to our economy, and although our economy and our workforce is larger in the Lower Mainland, make no mistake – this is the largest forestry industry town in the province.

We have to work together to make sure that we maintain open access to the American marketplace. For thousands of people in the United States, home ownership will be out of reach because of the protectionist taxes that have been put in place. We know that thousands of people in the home building industry will lose their jobs because of these protectionist taxes.

British Columbia and Canada are going to fight – through the WTO and through NAFTA – to make sure that we get the open access to the American markets that we deserve. Make no mistake about this: the decision that was made by the US Department of Commerce was pure and simple protectionism.

They can't compete with our product. They can't compete with our workmanship. They can't compete with our quality, and they can't compete with our sixty-five cent dollar – so they put up a protectionist barrier. Free trade works on both sides of the border. It works for the United States and it works for us, and we're going to have to work very hard to make sure that Americans remember that.

Our future in this province is very bright. We have an exceptional resource base. We are building the kind of recognition that we need in our technology industries, our film industry, and our tourism industry.

We are looking for new forms of investment, and we're moving forward with the 2010 Olympic Bid, which is an exceptional opportunity for British Columbia. The government of Canada is a strong and full partner, recognizing the enormous opportunity as we set our sights on winning the Winter Olympic and Paralympic Games in 2010 for Vancouver/Whistler.

We are already feeling some of the benefits. We did a request for interest on expansion of the convention centre and had six successful proponents, which we are now reviewing. That will be a public-private partnership.

We will look at the same kind of public-private partnership for transit connections between the federal facility at the airport and the convention facility at the waterfront. We believe we will get the kind of support that we need to make sure that takes place.

We're looking at a projected \$10 billion of economic activity as a result of the Olympics, and 228,000 jobs. It's a chance for all of us to show what we can accomplish, to show the quality of our assets and the talent of the people who live here. I believe that we will be successful in our Olympic Bid, and it will be as important to the first part of the 21st century as Expo was to the last part of the 20th century.

We think that we have the assets that we need in this province – great universities, great schools, great hospitals, and excellent health care. What we have to do is create an environment that tells investors we're ready to serve their needs.

We believe that an active, healthy, private sector economy can generate the revenues needed for excellent public sector services, health care, and education that meet the needs of people and create the healthiest communities in the country. If we do that, we will be globally recognized for the quality of life that we have in British Columbia.

In your industry you are constantly meeting the needs of your clients. You are constantly thinking of how you can serve those needs in new ways to enhance the quality of their lives.

That's what we're trying to do with British Columbia. That's what we're trying to do in your government.

I want to close by saying I appreciate the opportunity to come and speak with you today, and I ask you to take the opportunity to tell us – not just today but in the weeks and months ahead – what we need to do to reach out and take full advantage of the incredible province that we live in, to reach out and build a future that's full of prosperity and hope for all British Columbians.

When we do that, I guarantee your industry will prosper, and we will be seen as a place where people want to live and work and where they know that they can build a future that their children can be proud of. Thank you very much for your time.