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Check Against Delivery

Two days from now we will have been in government for one year. We've tried to generate changes that would make a difference to people's lives and reflect some of the cultural shifts that are imperative if we are going to take full advantage of the asset base in British Columbia, and the talent and entrepreneurial spirit of the people who live here.

Before I came today, I went to the Web site of Raymond James and saw the headline, "Everyone Loves Raymond James." I was wondering how you do that, because I wouldn't mind if everyone loved me.

When I read some of the reasons people love Raymond James, two particular items struck me as things we were trying to accomplish in the province. One is to celebrate entrepreneurial initiative, because it drives innovative thinking and achieves exceptional results. In government, we're trying to foster non-bureaucratic workplaces because it ensures our clients get superior services.

One of the biggest challenges we face in our society is that our generation – my generation – has a whole series of habits that don't work any more: they create new problems. It seems easier to turn our back on the changes taking place in the world and hope they will just go away.

Unfortunately, over the last decade in British Columbia, we ran tenth in just about all of the important economic indicators – tenth in growth, tenth in per capita investment, tenth in disposable income growth. All of those are signs that say, "Boy, there's a problem in the province."

In our health-care system – as with many health-care systems across the country – over the last two years health-care costs have gone up 20 per cent, while our economy was going up at about a tenth that rate. That is clearly not a sustainable mechanism for delivering services.

There is an enormous amount of institutional inertia in government. It's not that people want to do badly; it's not that their goal is not to deliver: it's just that the entire culture is wrong for the world we live in today.

Before the election, we decided we were going to be as bold as we could be as we started our mandate, because we realized that taking bold steps and moving as aggressively as possible there would be challenges for us to confront. The challenges were far greater than we anticipated, but I used to say that if things were worse than we thought – and they would be – then we had to do more than we thought. And we have.

When we were elected, we immediately appointed a group called the Financial Review Panel, and we found out that we had a \$3.8-billion structural deficit. They said government was operating in a fundamentally unsustainable manner.

That was before we realized that BC Hydro's revenues were going to fall short; before we went into ICBC and discovered that rather than a \$75-million profit, they were facing a \$260-million loss; before it was clear that the previous government had introduced a piece of legislation that had cost the taxpayers \$415 million but was unfunded.

That was before the softwood lumber dispute started to take hold and have this enormous impact in British Columbia, and before September 11th. It was also before we could realize the full extent of the challenges that our technology faced.

With all of those challenges, we had a fairly big task ahead of us. But we have taken – and we are going to continue to take – steps that will open this province up to investment, open it up so the entrepreneurial spirit can take hold, open it up to celebrate the creation of wealth and opportunity, and open it up to say to people: “You imagine where you can go and work hard to do it, and you’ll be able to get ahead in British Columbia.”

On our first day in office, we had the most dramatic personal income tax cut in the history of the province. It was 25 per cent across the board. Today we have the lowest base rate of personal income tax on the first \$60,000 of income of any jurisdiction in the country, and the second-lowest marginal income tax rate.

We did that because we know that the most valuable natural resource we have in this province is the people who live here. If people don't think they can come here and work hard to build the kind of future they want, we're going to lose them.

We saw that over the three or four years prior to the election. Investment in British Columbia's technology industry was growing – but almost 50 per cent of all new jobs in the technology industry were created outside of the province. People were saying, “We'd love to work for you, but we'd love to work for you in Washington state or somewhere else.”

The changes we've made have already had an impact on that industry. QLT hired someone from California who was saying to me that he wouldn't have come before those changes were made. They wouldn't have been able to recruit people to British Columbia before we made those income tax changes. We also weren't able to keep the good people we wanted to keep here before we made those changes.

This is a tip: If you tax something, it doesn't encourage it to happen. If you want investment, you don't tax it. If you want productivity, you don't tax it. If you want good people, you don't tax them so much that they don't want to be here.

That may sound pretty simple. But there are whole bunch of people in British Columbia who are saying we shouldn't have cut taxes – in spite of the fact that we were tenth and tenth and tenth.

Well, we are changing that. We have cut 17 different taxes in the last year. That's left \$1.1 billion more in people's pockets this year than they had in their pockets last year. It's left \$390 million more in investors' pockets this year than they had last year.

We eliminated the tax on machinery and equipment, which was effectively a tax on productivity. We cut our jet fuel tax so our airport could be competitive. We wanted our ocean port to be competitive, so we eliminated our bunker fuel tax. All of those things make a difference as you start to rebuild an economy from the ground up.

Every step of the way there are going to be people who tell you that you are doing the wrong stuff and they don't like the changes. We recognize that and understand it. It's difficult for people who have been at the table with a special role in government for a decade to be told, "No, we're going to reassert the public interest."

It is in the public's interest for the private-sector economy to flourish. People should never cease to advocate the importance of a strong and vital private-sector economy – because if that doesn't exist, there are no resources for public services.

We watched that happening in British Columbia: the '90s was a lost decade for us. The money is gone, the debt has been set, and we have to pay it back.

Debt doubled in a decade in B.C. Over 120 years, the total debt amassed in British Columbia was \$17 billion. Over the 10 years of the '90s, the debt increased to \$32 billion.

I have two sons, and one of them is just graduating from university. When I graduated from university, the total public debt of the Province of British Columbia – total: all accounts, all of government – was \$2.83 billion. By the time my son graduates, the total debt will be \$39 billion. In one generation that happened. We have to be willing to confront that and make the changes that are required so our children inherit a province that's in better shape than the one we inherited from our parents.

That's no small task, because as we were in many ways squandering our opportunities over the decade of the '90s and part of the '80s, the world changed.

Sometimes changes are not really noticeable for those of us in the public sector. In your business, you don't have a choice: If you don't change with the world – if you don't keep up, if you don't go out and do due diligence and do all the fact-checking you need – you are not going to be in business very long. Unfortunately for the government, sometimes you have to hit it over the head with a hammer to get it to notice the world is changing.

Here is a simple test. Look at the person next to you; do they look like they are getting any younger? The fact is we are all getting older, and as we get older we put a strain on public services like health care. We have a generation that's following us that we have to liberate so that we can create the private-sector resources that we need to pay for public services – or we have to change public services.

I was in the Prairies the other day, and a fellow said, “We need to do this, this and this.” I said, “Well, if we did that, that and that, it would cost you some more money,” and he said, “No, I don't want to pay for it. Why doesn't the government just pay for it?”

We have to get people to understand that there is no such thing as federal dollars and provincial dollars, local dollars and regional dollars: it's your money. There is only one taxpayer out there, and every time we go into your pocket and take a dollar out, we have created an obligation to deliver service and value to you because we are taking a little bit of your life out of your pocket.

That's one of the big shifts that we are trying to make: What are the things that we are doing that we don't have to do?

A great example is our regulatory code.

There are 404,000 regulatory requirements that are imposed on the four million people who live in British Columbia, and that have about five to six billion dollars a year in hidden costs to the economy.

What do some of those regulations do? There was one regulation that we've since got rid of that told people who were running automobile repair shops how often they should dust their blinds. You have to ask yourself who thought that regulation up and who is enforcing it and who cares, because it's costing you money.

We had 50-year-old food standards; we had over 5,000 liquor licensing requirements. Our Forest Practices Code has over 10,000 separate regulatory requirements; our Employment Standards Act has over 5,000. A local convenience store could be hit with over 5,000 different regulations about what you were supposed to do to take care of your employees.

They used to tell employers and employees how they were allowed to interrelate, and I would suggest to you that is an example of where we haven't recognized the world has changed.

The most valuable asset an employer has is the employees. Think of the people you work with. What is Raymond James without them? Nice offices, but it's not much without people who are adding value to what you are doing.

We want to bring employers and employees together. We think there is a mutual benefit from them working together. We have to create flexibility, speed and some certainty in the workplace.

To give you an example, a year ago, there was about a billion dollars of economic activity and about 20,000 additional jobs locked up in Crown lands. We have now eliminated 97 per cent of that backlog. Sixty per cent of the applications were approved and 40 per cent were turned down, but at least people know where they stand and can get on with the economic activity and get people back to work.

We have to create a culture of service in government as opposed to a culture of control. It is our goal and our objective, and it is tough to meet. But we are going to meet it by relentless pursuit. You can't say, "We've done it for one day; we've issued a press release; thanks a lot; the job's done." It's not even close to being done.

We've just closed the house in British Columbia, and there is a tendency when the house closes to think, "Oh good, we can take a break." There is no break here. We have to keep on going, keep on fixing the things that aren't working, and keep on listening to people.

Our Workers' Compensation Board in British Columbia ran a deficit last year of \$287 million. We're changing that. We're going to bring accountability back into the system; we are going to remove the incentives for staying off work.

In British Columbia, until last Thursday, someone who was on workers' compensation got paid more money to be off work than they did when they were on work. We want to get folks back to the workplace, not encourage them to stay out.

We have changed our Labour Code. The purpose of our Labour Code is to create an environment where you can have viable businesses, where employers and employees talk with one another, and where employees have rights.

One of the rights is a right to a secret ballot; another is the right to negotiate contracts. Another right is to have open tendering. Another right is to make sure that people have their pensions and that their union can't take them away if they do the wrong thing when they leave their union.

The issue for us is to create an environment that encourages people to work together. We opened up communication: employers and employees can talk when they go through certification. There are the same rules for certification as for decertification. Unions and employees can talk as they go through that. We are trying to open up the process; we're trying to level the playing field; we're trying to keep people focused on what their objective is.

No one benefits from losing a job. If you create an economic environment that encourages investment, encourages return, and encourages people to work together, I think you have a very bright future.

We are working very hard to build some exciting new opportunities for ourselves in British Columbia. Our energy industry alone has enormous potential in this province.

Last year it grew by 22 per cent – \$5.6 billion to government. There is the Ladyfern find in the Northeast. It's the largest single natural gas find in the last 15 years. One mill alone pumps out 100 million cubic feet of natural gas a day.

British Columbia has 17 per cent of the Western Canada basin, and so far we have only six per cent of the drill holes. We are going to encourage activity and make sure that we can get people to come in, not just to explore, but to develop and exploit the opportunities.

We have huge potential off the west coast: literally millions of barrels of oil and trillions of cubic feet of natural gas. That's a longer-term investment, and British Columbians can see that as an opportunity to move forward in economic activity by about \$20 billion over the next five years, and thousands of new jobs.

There is 90 trillion feet of coal bed methane in British Columbia in the Northwest, in the central Interior, on Vancouver Island and in the Kootenays. Today seven per cent of all electrical power in the United States is powered by coal bed methane. We want to make sure we are tapping into that market and delivering the energy they need. We think there are huge opportunities there.

We are also looking at expanding our biotechnology industry by creating a framework that encourages investment and attracts people back to British Columbia.

We are going to work to make our forest and mining industries more competitive – traditional industries that have often been taken for granted but that also require us to think about how the world has changed. We are trying to open up forestry markets in China, but we'd better understand that there is another competitor right next door called Russia that can deliver fibre to China more cost-effectively than we can.

How do we beat that competition? How do we deliver better value and service to our customer? Look at Japan: over the last decade, B.C. has lost its market share. Why did we lose our market share? Because we didn't see that as something that we had to fight for.

We are going to have to fight for our market share in forestry, mineral resources and energy. We think we can do that by liberating people to pursue their own goals and objectives and listening to the people we count on to deliver the goods we want.

How has it worked over the last year? In many ways it's been difficult, but we've had lots of strong and clear messages around the world about what we are trying to do and what we are hoping to accomplish.

So far in British Columbia over the last year, residential construction is up and leading the country at a 27 per cent increase. Residential sales lead the country with a 28 per cent increase. Consumer spending increased above the average of the country by 25 per cent. We have seen 13,000 new jobs last month and 40,000 new jobs this year.

The main thing that 'camouflages' a lot of that economic strength and new activity is softwood lumber. In British Columbia, softwood lumber has a huge impact. For those of you who live in Ontario, imagine having a 27 per cent duty put on all auto parts that go across the border to the United States, and the impact it would have on your economy. That's what we face. We are going to fight the illegal action by the Americans, but we are also going to fight to make sure that we are more competitive here in British Columbia itself.

It's not good enough for us to point fingers at what other people do: we have to take responsibility for making the changes that are necessary to creating the investment environment that allows our enterprises to compete and win around the world.

We'll win some and we'll lose some, but working together we think we will win more than we lose. We remain a great province to invest in, and after one year I was very pleased to see a survey of senior investment advisers moved British Columbia from the last province in the country they would want to invest in to third place.

I'm really pleased with moving from tenth to third, but third isn't good enough for us. We want to be first. We think we have the province and the people that can deliver on that.

It will take some time, it will take commitment and it will take relentless pursuit of the principles we espoused last year. But British Columbia is a place where you should think of investing and a place where you should think of building a future – because the future here is going to be incredibly bright.