



**TRANSCRIPT OF THE
OPEN CABINET MEETING**

WEDNESDAY, AUGUST 15, 2001

Province of British Columbia

EXECUTIVE COUNCIL

Premier and President of the Executive Council
Minister of State for Intergovernmental Relations
Deputy Premier and Minister of Education
Minister of Advanced Education
Minister of Agriculture, Food and Fisheries
Attorney General and Minister Responsible for Treaty
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Hon. Graham P. Bruce
Hon. Stan Hagen
Hon. Judith Reid
Hon. Joyce Murray

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The cabinet met at 9:03 a.m.

Opening Remarks

Hon. G. Campbell: Okay, we will begin the meeting. I just wanted to report quickly on the recent meeting of the Western Governors Association. I was there, joined by five other Premiers. We had a very good opportunity to speak with them about what is an incredibly critical issue to the people of British Columbia and the province of British Columbia: the softwood lumber dispute.

We pointed out that, in fact, this was a protectionist measure that was being imposed and advocated by a very small group of inefficient, non-competitive industry members in the United States. That is clearly the case. That group has suggested that our industry is subsidized here. We do not believe that it is, and in fact, as I pointed out to the Governors, three times the Americans have gone to bat trying to say that our industry is subsidized, and three times they have failed to prove any subsidy whatsoever. This is the fourth time that this has come up.

In going and meeting with the Governors, one of the things that we thought was important for them to understand was that this is a long-term relationship that we have between Canada and the United States. I can tell you, all 13 Governors claim to be for free trade. We are for free trade; they are for free trade. They are opposed to unnecessary litigation; we are opposed to unnecessary litigation. We are all in favour of open market conditions.

We pointed out to them that we are glad to be as transparent as they need us to be so they could understand our industry, which is clearly structured differently from the one in the United States. We also pointed out that, as is so often the case, a small group is trying, with concerted effort, to protect themselves while visiting the weight of that decision on American consumers, American construction workers, American homebuilders and American homebuyers. And in the long term, at a time when the American economy is having some trouble and the only real light in the economy is their homebuilding industry, we have a serious problem brewing.

[9:05]

The United States is the largest single homebuilder in the world. This restrictive measure, which has been, at least in preliminary means, imposed by the commerce department, will eliminate at least 300,000 Americans from the potential to acquire a home. That will shrink the amount of activity that's taking place there, and clearly that will have a major impact on construction workers throughout the United States.

We have said and I have said that I will follow up with all 13 Governors. We're glad to answer any of the questions that they may have about how our industry works. We're glad to hear any of the problems that they are facing to try and understand what they're dealing with, but I believe it was an important step for them. They were at least willing to listen to the position we take. I don't want to have anyone under any illusions. There wasn't one Governor that stood up and applauded when I'd finished the presentation, but I do think it's important to note that they gave us the opportunity to have our say, and we spent a considerable amount of time in the lunch between the Premiers and the Governors discussing trade and softwood.

The point that was made by one of the Governors was that we have a long-term relationship that's built up over a century. This is the largest single bilateral trading relationship in the world, and softwood is the largest component of that bilateral trading relationship. It makes absolutely no sense, from any of the American public objectives that they might identify, to have this unfair duty imposed on Canadian products. There's not one additional stick of fibre that will make it to a western mill in the United States because of this duty. There is not one additional job in forestry that will be protected because of this duty. Exactly as we pointed out to them, as a result of this protectionist measure being imposed by the Americans, we have already seen an increase in the cost of lumber for their consumers — a dramatic increase, by the way, over the last year — as we look to the end of the softwood lumber agreement and a continuing increase now.

A number of American companies who are major investors in Canada's forestry industry — Weyerhaeuser, Pope and Talbot, Louisiana-Pacific — have said clearly to the commerce department that this really isn't going to work in the long term, that it doesn't make any sense. So we, I think, had the opportunity to start informing consumers and the public in the United States about this issue. We should remember that it's a diverse enough issue and its consequences are dispersed enough across the economy that it's going to take a lot of work from us to make sure that people understand how they're paying the price of protectionism for an inefficient, ineffective, non-competitive sector of the forest industry in the United States.

I will be meeting next week with the Alliance for American Consumers. The Minister of Forests and I will be meeting over the next little while not just with the consumer groups but with homebuilding

groups, with retailing groups. We will be working with the federal government, who have agreed that this is the top of the agenda for Canada-U.S. relations. The Minister of Forests was on a conference call yesterday and had an opportunity to discuss the situation and will give you a larger update as we move through this agenda, but I think it is important to note that the Prime Minister understands that this is the top of our agenda. It's the top of Canada's agenda, and it's the top of the provincial agendas, and I believe we will be successful.

It may cost us some money to be successful. We will have to litigate, as we said to them. Even though we're opposed to this kind of litigation, we have no choice but to launch the litigation to protect our access to an open market, to protect our workers and to protect our industry from what is clearly an unfair practice from a small, inefficient, ineffective, non-competitive group in the United States. I believe we will be successful in that, and I believe we shouldn't underestimate the challenge that lies ahead of us.

I think they can't act soon enough to remove that duty, but we'll do everything we can to make sure that it takes place. It was a worthwhile meeting from this perspective. There are lots of things that we have in common with our American friends to the south. There are many mutual objectives that we share. I think one of them is to make sure that we go and speak clearly about our concerns about the relationship and allow them to speak as clearly back to us about their concerns, and we can resolve them.

[9:10]

I should say that one other item that was on our specific agenda for British Columbia was the Environmental Cooperation Council that has been established between Washington State and British Columbia to deal with a number of environmental issues that happen along the 49th parallel. As most people will tell you, neither air nor water care particularly about where the border was put by a bunch of people at one point. So we have a number of issues that we have to work on. Washington State and British Columbia are committed to moving forward to build on that environmental cooperation council.

There is 60 miles of border between British Columbia and Idaho. Governor Kempthorne has agreed that as we pursue our objectives, he is willing to consider the establishment of an environmental cooperation council between Idaho and British Columbia.

There is a significantly larger border between British Columbia and Montana, which touches on what we know as the Kootenays. We want to make sure that we have the opportunity to build environmental cooperation between Montana and the Kootenays as well. The Governor of Montana is willing to work to move forward to establish that as well.

There is a lot of water that runs back and forth across the border. There are some big issues that we have to deal with, with regard to that, in terms of both water quality and the fishery and the protection of the fishery. There are airsheds that are involved across the border in all three states that touch on our border to the south. We will be working to develop those councils so that we can have ongoing discussions and, hopefully, resolution.

I'm sure those of you who've managed to travel know the problems that we faced with Lake Kookanusa. We will continue to work to try and resolve those issues not just with the state governments but with the Army Corps of Engineers.

Although the Governor of Alaska wasn't at this meeting of western Governors, I will be meeting with the Governor of Alaska on the 24th of this month. At that time, I'll discuss establishing an environmental cooperation council between British Columbia and Alaska as well. I think it's important that we move forward to resolve these issues in the long term, and that's what we intend to do.

With those opening remarks, I want to say again that I think that the work the Minister of Forests has done on the softwood lumber file has been significant. I'm looking forward to his update later in the meeting. One of the issues that comes up with the United States when we deal with softwood lumber is that they talk about the issue of subsidies. As you know, part of our 90-day agenda was that we were going to act to initiate the elimination of subsidies to business. There are a number of long-term relationships and understandings that were made in the past. The first item on our agenda today will be headed by Minister Thorpe, as he deals with a program in definitions so that we can move forward to eliminate subsidies to business.

Elimination of Business Subsidies

Hon. R. Thorpe: Thank you very much, Mr. Premier.

The purpose of the cabinet's review is to make decisions on the principles to be used in the review of government programs that provide subsidies to business. Decisions made here today will guide us and our staff in the development of recommendations for subsidy elimination. Implementation of cabinet's decision and subsidy elimination will commence immediately after these principles are approved.

As the Premier has said, this is one of our 90-day agenda items. Today is the seventy-first day of our government. The New Era document contains several initiatives to assist in the rebuilding of a competitive business environment and to support a healthy provincial economy. The elimination of business subsidies is one of these initiatives. The New Era document clearly stated to act to initiate a commitment to "eliminate all government subsidies to business that give some firms an unfair advantage over their competitors in British Columbia."

Today we are seeking the decision on seven principles. We believe that when we establish and carry out our review in a very consistent and comprehensive manner, a series of initial decisions have to be made. We have to establish our principles. The key decisions are these:

1. What is the definition of a subsidy
2. What is the definition of a business?
3. The treatment of indirect subsidies.
4. The treatment of tax policy.
5. The treatment of federal government cost-sharing programs.
6. The treatment of past expenditures.
7. The treatment of exemptions based on programs offered in competing jurisdictions.

[9:15]

Recommendations have been prepared for each of these topics. Cabinet's decisions today will provide a framework to guide our future reviews. Ministers and ministry staff will use this direction to work with ministries and agencies in the development of recommendations for subsidy elimination.

Definition of a subsidy. For the purpose of this review, a subsidy is defined as a government program or activity which transfers a benefit to an individual for-profit business or a select group of businesses. These benefits would not normally be provided in the marketplace. Two elements are needed for a subsidy to be present: (1) an economic advantage — there is a benefit being provided at less than commercial terms; (2) selectivity — the government is exercising some discretion in selecting which firms will receive the benefit.

Types of subsidies. A subsidy could be financial or it could be non-financial. We have two options in this area: (1) focus this review on direct financial benefits to businesses provided on a selective basis; or (2) also include non-financial benefits in the review, such as provisions of information and services widely available to business in general or within a sector — for example, export market development, film services locations. Our recommendation to cabinet is option No. 1: focus the review on direct financial benefits to businesses provided on a selective basis.

The next principle that needs definition is: what is a business? Businesses typically include for-profit enterprises such as incorporated companies, proprietorships, partnerships and cooperatives. A wider definition of a business sector could also include economic development organizations, industry associations, and regional and community business groups. Under this area, we have two options for your consideration: (1) focus a review only on individual for-profit businesses; (2) include in the review both for-profit businesses and programs that support sector organizations and community or regional development programs. Those would be implemented in phase 2. Our recommendation to cabinet today is option No. 2: phase 1 of the review will deal with individual, for-profit business subsidies. Phase 2 will deal with sector organizations, community and regional development groups. Phase 2 would begin in October.

The third principle we wanted to discuss is indirect subsidies. This type of subsidy does not involve a direct financial benefit to a business, although the business receives a benefit as a result of a government program or activity. Two examples are high-tech scholarships and fellowships, and venture capital tax credits for investors. There is a possible issue of fairness and equity in the way

different venture capital tax programs are dealt with by government, and this perhaps should be reviewed. We have three options for your consideration: (1) include indirect subsidies in the review; (2) do not include indirect subsidies in the review; (3) do not include R and D fellowships and scholarships in the review, but do include venture capital tax credits, insofar as the issue of fairness among these programs is concerned. Our recommendation is option No. 3: do not include R and D fellowships and scholarships in the review; however, do include venture capital tax credits, insofar as the issue of fairness among these programs is concerned.

[9:20]

The fourth principle deals with tax credits and tax holidays. Tax credits are available to businesses within some sector groups — for example, manufacturing, mining exploration and film — to encourage investment in our province. In addition to tax credits, the government also provides tax exemptions and/or tax holidays for some sectors — farm fuel tax, mining exploration tax credit, oil and gas royalty holiday — and a two-year income tax holiday for new businesses in British Columbia.

Again, we have two options for your consideration: (1) include tax policy in the review of the business subsidies, or (2) do not include tax policy in this review; consider tax credits and tax holidays as part of the normal Ministry of Finance budget process. Our recommendation is option No. 2: do not include tax policy in this review; consider tax credits and tax holidays as part of the normal Ministry of Finance budget process.

The fifth principle that we would like to put forward is federal cost-sharing programs. Some projects funded under these programs may disproportionately benefit some companies but may have additional spinoffs — benefits to the economy. Cancelling provincial participation in programs cost-shared with the federal government will usually result in a loss of federal funding to British Columbia; however, the province needs to ensure that the federal government does not drive provincial policy positions.

We have two options in this area: (1) do not include in the review programs cost-shared with the federal government, but examine projects on a case-by-case basis to determine their effect on the competitive business environment in the context on provincial strategic priorities, or (2) include in the review federal cost-shared programs perceived to provide subsidies to individual businesses. Our recommendation is option No. 2: include in the review federal cost-shared programs perceived to provide subsidies to individual businesses.

The next principle I'd like to discuss is treatment of past expenditures. Past government decisions have resulted in funds being deposited in arm's-length agencies for disbursement to for-profit businesses. We have two options in this area: (1) do not review if government funds have already been flowed to an organization or if there is a signed contract with the organization and the decisions were made by an arm's-length governing entity, or (2) review past expenditures to determine which, if any, can be recovered by government. Ministries would be asked to provide a list of possibilities within 15 days of cabinet's approval. Our recommendation is option No. 2: review past expenditures to determine which, if any, can be recovered by government. Ministries will be asked to provide a list of possibilities within 15 days of cabinet's decision, should you approve this option.

[9:25]

Principle No. 7 is practices in competing jurisdictions. Maintaining some competitive programs for certain British Columbia sectors may be desirable to ensure that they can continue to compete on a level playing field, both nationally and internationally; therefore, it is important to consider assistance through programs in competing jurisdictions. We have two options in this area: (1) exempt programs to industry sectors where needed for British Columbia businesses to compete on a level playing field nationally and internationally. Do not provide individual business subsidies, even when there are no direct competitors in the province, or (2) exempt programs for sector where required to maintain a level playing field; allow for possible exemptions for individual businesses where the venture has no competitors in the province or is a pilot involving leading-edge innovation and it does not qualify for a tax credit. Our recommendation is option No. 1: exempt programs to industry sectors where needed for British Columbia businesses to compete on a level playing field nationally and internationally. Do not provide individual business subsidies even when there are no direct competitors in the province.

Those were the seven principles. I would just like to summarize and confirm the seven principles,

to set the review and to summarize the recommendations for your consideration.
No 1: the definition....

Hon. G. Campbell: Before we do that, let's go through the items one by one, and you can summarize at the end of it, to make sure.

Hon. R. Thorpe: Yes, sir.

So if we go back to the report, [the first issue is the definition of a subsidy](#). Are there any questions with regard to the definition? Gary.

Hon. G. Collins: Yeah, Rick, I have a question. In your second paragraph here, you talk about two elements being needed for a subsidy to be present: "(a) an economic advantage — there is a benefit being provided to an individual specific company or organization at less than commercial terms," and (b) activity where the government is involved in selecting the terms.

Why do you need both of those to make it a subsidy? If there is a benefit being provided to an individual company as opposed to all of them, whether or not government is selecting that company, isn't that still a subsidy?

Hon. R. Thorpe: Yes, it is. What we were trying to capture there, Gary, was that perhaps.... Without naming any sectors, let's say there are seven companies in a sector, and two of them are getting it. That's why we said "individually and selectively." That's what our intent is there. So your answer is correct, but....

Hon. G. Campbell: If you had an across-the-board tax thing and only one company was taking advantage of it, then that might.... It wasn't that we were selecting a company that could take advantage of it; it was that only they decided to. Is that what you mean by that?

Hon. R. Thorpe: No, actually. No, the tax credits and tax policy that we're suggesting would not be part of this. What we're saying here is that if one company was getting a subsidy, then that would not be eligible. If we were selecting more than one, two or three out of a total sector of seven, then it would also be a subsidy.

Hon. G. Collins: I guess to clarify those.... It's and/or. It could be both, or one or the other.

Hon. R. Thorpe: That's right. That's correct.

Hon. G. Campbell: Are there other questions on the definition? Okay. Then the next item [is a definition of business](#) as recommended option 2 there. This is including both for-profit businesses and sector organizations — community, regional and development programs.

Hon. R. Thorpe: Yes, we would propose to do that in two waves. We would do the for-profit in the first wave; we would do sectors in the second wave. What would be included in that would be a second additional presentation to cabinet for approval on the terms to move into those areas.

Hon. G. Campbell: Okay. Rich?

Hon. R. Coleman: Could you sort of define for me what you define as a sector — outside of the normal for-profit business?

Hon. R. Thorpe: Perhaps the Economic Development Association of British Columbia, the British Columbia Wine Institute, the Greater Vancouver Economic Partnership — those would be some examples.

Hon. R. Coleman: What about non-profit organizations that are in...? Let's say a body of non-profit is in one sector, and there are also businesses in the same sector receiving — for lack of a better description — a subsidy or top-up in bingo or something like that.

Hon. R. Thorpe: Well, again, first of all, understand that it's in two phases. Those definitions and those deliberations would take place in the second phase.

Hon. R. Coleman: In the second phase.

Hon. R. Thorpe: So I don't want to commit or prejudice that unfolding of that presentation. These were just some examples we had picked that may fall into it. They may very well, or they may not.

Hon. R. Coleman: So you haven't looked at that sort of sectoral....

Hon. R. Thorpe: No, we have not looked at that in detail. That's why we'll start that work in October.

Hon. R. Coleman: Okay.

Hon. G. Campbell: Sandy and then Gary.

[9:30]

Hon. S. Santori: I need some clarification on this definition. In terms of economic development, I think this would apply predominantly to rural areas and smaller communities throughout British Columbia, where we do have economic development commissions under the auspices of either the regional district or a community. A lot of communities and resource-based industries that are forced to diversify and find other areas to generate jobs and revenue for their communities have been getting funding from the province in terms of looking at diversification within regions and communities for economic development, which I believe is critical to those small communities who have limited resources. Would this definition, then, eliminate such programs where funding was provided from the province to assist these smaller communities throughout British Columbia in looking at ways of diversifying, seeing that they're being hit so hard...?

Interjection.

Hon. G. Campbell: Well, that's okay. Is that a good enough answer for you, Sandy?

Hon. S. Santori: That's good.

Hon. R. Thorpe: Just for the record, that was not me speaking.

Hon. S. Santori: The close of my question is: would the definition impact such programs out there?

Hon. R. Thorpe: First of all, that's an excellent question. Exactly the complexity of that question is the reason that we said in our own inner workings that we wanted to do those kinds of discussions in wave two. It's going to require very detailed, thoughtful consultation through many organizations in all parts of the province. That's why we're going to do that in wave two. The first wave, if we're approved here today, will be for for-profit businesses. Sector organizations, community organizations and economic development organizations will be considered for definition in wave two. That will be brought back to cabinet for cabinet's approval.

Hon. G. Campbell: Gary.

Hon. G. Collins: My question was similar to Sandy's. You have not made a determination or made a recommendation on whether or not that second wave is or is not subsidies. What you're saying is that there may be some; there may be some that aren't. You don't know that yet. So you're going to do that....

Hon. R. Thorpe: That's exactly correct, Gary. Again, that's why we'll be doing that detailed work and bringing forward proposals in October for consideration.

Hon. G. Campbell: Joyce.

Hon. J. Murray: I've got a similar concern around a community development group that focuses more on individuals that aren't in the workforce and helping connect them with the workforce and prepare them and so on. So my question was: when you're looking at this in the fall, would you be proposing that the decision is to fund certain of these or not? Or is it that within an organization there are certain programs that would be considered subsidies and others that wouldn't?

Hon. R. Thorpe: First of all, our commitment to British Columbia is to eliminate business subsidies. Secondly, because of the series of questions we're being asked here today on the complexity of these sector and community and regional groups, we're deferring, again, until October to go into that in-depth work. Just as the staff in my ministry, who have worked so hard on this.... They will be working with all of the ministries to get a complete understanding of sector and regional and community developments in developing the recommendations that we will all be considering, hopefully, sometime in October. It is a very complex issue, and that's why we need more time to do that very detailed and thorough work.

Hon. G. Campbell: Gary.

Hon. G. Collins: Sorry, Rick. Picking up where Joyce was, I've always sort of looked at this as two things. There may be a payment to a business to help train an individual or, as Joyce said, sort of get them back into the workforce or something like that. Are we viewing that as a subsidy to a business, or are we viewing that as a payment to the individual, as a transfer to an individual, even though there is a business or an organization in the middle who is implementing it? Are we suggesting that that's a subsidy to business?

Hon. R. Thorpe: No, we're not suggesting that at this point in time. Those particular types of programs that you're talking about.... We have identified some of those programs, although we haven't had a thorough canvassing, because we wanted to get the principles in place. But we have identified some of those programs that are going to require some review at the core service review process to have a better understanding of them. Then obviously, they could become part of the fall review, but we have not made any prejudgment on those types of programs at this point in time.

Hon. G. Campbell: Yes, Ted.

Hon. T. Nebbeling: Just quickly, two points. I think including community economic development boards and other organizations that always work, even if it is in a sector, for the common good rather than specifically for that particular board.... To create some uncertainty, if these commissions will continue to be able to function, based on subsidies that they're getting right now.... I think that's a negative.

[9:35]

The second point is that the business sector will think: new — where we have our 90-day commitment, no subsidies. I think these community organizations will be very surprised to see them being included in this review now, and that may have an impact on grant applications that are out there right now. Does this mean, by passing this bill, that we also automatically include a freeze, which is what I would presume would happen with the business sector as far as subsidies are concerned? Would it also apply, then, to the community organizations? Right now we're going through a review of grants for small development projects in communities. I need to hear how you would deal with that.

Hon. G. Campbell: What do you mean by a small development project? If it's a small development project that a business is doing, it would be a business subsidy.

Hon. T. Nebbeling: No, these are local governments that have applied for a \$10,000 grant, for example, to do an economic development program for their community.

Hon. R. Thorpe: Let me be very clear, and thank you for your question, Ted. We have recommended option 2 in this area. Let me read it again. Phase 1 of the review will deal with individual for-profit business subsidies. Phase 2 will deal with sector organizations, community and regional development groups, but it will be subject to another cabinet presentation, cabinet sign-off, cabinet endorsement. We are dealing with for-profit businesses — end of sentence — fulfilling our commitment to British Columbians.

Hon. T. Nebbeling: Without belittling it, then I would have supported option 1 much stronger. I think this will create uncertainty.

Hon. G. Campbell: Well, I think the issue here is that we're coming up with some definitions. If there are subsidies to business in our definitions that are included in those grants, then those subsidies to business are going to be eliminated.

Hon. T. Nebbeling: Totally — agreed.

Hon. G. Campbell: What I think the minister is saying, or what Rick is saying, is simply this: we know there are some things that are, if you want, low-hanging fruit. We're going to deal with that early. There's a whole series of much bigger issues that we're going to have to deal with, and here's, hopefully, the framework for the way that we're going to move through and deal with it. There are not exemptions to the commitment that we're going to eliminate business subsidies. There are whole bunch of questions that come up with a range of other issues that are not as easy to deal with as the one with the individual businesses, which we've dealt with in the past. I think that's what you're suggesting here — that you come back with your second wave on those more complicated issues.

Hon. R. Thorpe: That's correct, Premier.

Hon. G. Campbell: Geoff?

Hon. G. Plant: Isn't it the case that in that second wave you're going to be looking at ways to give effect to the core principle rather than conducting an exercise that will allow us or require us to be trapped by categories? I think that's the key. If we go too far down the path being trapped by categories, then all we're going to do is create rules that people are going to look for ways to avoid, where it's the principle that is at stake.

I'll just make a point now that is relevant to another context. We're going to come and talk about tax policy. I recall that on one instance during the term of the last government, a tax change was made, I think, to the threshold for a requirement to be included in the corporate capital tax for financial institutions, which was drafted as a general tax policy provision but, in its application to the banking community in British Columbia, related to only one bank or two. So it was vulnerable to the argument, which I think we may have made at the time, that it was really a disguised... It wasn't a general tax policy, but it was something like, perhaps, a disguised form of another kind of economic policy initiative. I'd hate to exclude tax policy from the scope of the operation of this principle in a way that allowed it to be used indirectly to achieve subsidies to business.

Hon. G. Campbell: Gary?

[9:40]

Hon. G. Collins: Perhaps I can answer that a little bit. Tax policy is something that needs to be done in the Ministry of Finance because it affects people's decision-making on an ongoing basis. That's why there's a certain amount of secrecy around budgets. I'm trying to get rid of as much of that as possible. But as far as it pertains to taxation policy, that secrecy will have to remain so that when the Minister of Finance announces the budget, those decisions are there. Those decisions generally aren't even made within the cabinet. They're generally made within the Ministry of Finance. That, I think, is the requirement there.

Be very aware that when these decisions are finally made around definitions of subsidies and categorizations of subsidies, the Ministry of Finance will be keeping that in mind as we look at taxation policy, as well, to make sure that we're not doing something through tax policy that we wouldn't normally do through those other policies.

Hon. G. Campbell: Just to reiterate that, the whole government and every minister is following through on this commitment that we are going to eliminate all government subsidies to business that give some companies an unfair advantage over their competitors in British Columbia. That's the principle we ran on. That's what we're trying to execute today — or, at least, start the execution of that today.

Phase 1 is, candidly, the more easy stuff, and there's some more difficult stuff in applying the principle that Rick is saying. We're going to start that second wave in October. That's what I understand that recommendation is about. Is that correct?

Hon. R. Thorpe: That's correct, Mr. Premier.

Hon. G. Campbell: Any other questions on that issue?

[The third one is the treatment of indirect subsidies](#), and there's a recommendation there that we don't include our R and D fellowships or scholarships in the review but that we do include venture capital tax credits insofar as the issue of fairness among these programs is concerned. Any questions or comments?

[Decision No. 4](#) is treatment of tax credits and holidays. Rick, do you want to just read that option again?

Hon. R. Thorpe: Do not include tax policy in this review. Our recommendation is option No. 2: do not include tax policy in this review. Consider tax credits and tax holidays as part of a normal Ministry of Finance budget process.

Hon. G. Campbell: And the Ministry of Finance will be guided by the principle that we will be eliminating subsidies to business.

[Decision No. 5](#): treatment of federal government cost-sharing programs.

Hon. R. Thorpe: My recommendation is that option No. 2 include the review of federal cost-shared programs perceived to provide a subsidy to an individual business. There are two things....

Hon. G. Campbell: Sorry. Dick, go ahead.

Hon. R. Neufeld: I just have one question. It says "individual business." Maybe you could just explain a little further, Minister Thorpe. I'm looking at "sector," and I'm thinking about agricultural cost-sharing programs and why you would put "individual business" and not "sector."

Hon. R. Thorpe: Well, because, first of all, we do not want federal policy programs driving our provincial policies — assuming this is approved — of not subsidizing selected or individual businesses. That's why we put this in.

One of the things that's always difficult is when you throw out these things, what is a possible example, and how can we make sure? Well, let's say that one particular individual cruise ship line was looking for a part of a federal program that the province would share in, where they were going to be the only people that benefited by having a certain thing done. I think, again, we are selectively picking a company. The overall principle, Dick, is to ensure that the federal programs are not driving and compromising our provincial principles. That's the overall driving thing.

Hon. G. Campbell: Sandy. Sorry....

Hon. R. Thorpe: With respect to agriculture, I believe that's covered by principle No. 7: exemptions in programs in competing jurisdictions. When programs are provided nationally, which many agricultural programs are, then we would endorse that British Columbians should have those.

Hon. G. Campbell: Sandy.

Hon. S. Santori: Question for clarification in terms of federal programs. I believe that all of us are aware that there is a federal program just around the corner in terms of providing funding to actually achieve one of our goals. That's to bridge the digital divide, I think, to the tune of some \$10 billion, which is going to be made available throughout this country and which would benefit us and which would, under this definition, exclude us from applying for those federal grants that may in turn benefit an individual carrier of a network or the developer of a network. Would that in itself constitute a violation of our policy in terms of subsidies?

[9:45]

Hon. G. Campbell: No, it wouldn't — at least not the one that Rick is outlining today. We have to be careful that we're not suggesting that the provincial government will not contract to provide any services to anybody anywhere in the province, and if we can fund those contractual arrangements jointly with the feds, we'll do that. But we would be applying the principles of it, as I understand it from the thrust of what we're doing today. If the feds are running around selecting the business of their choice to provide them with the amount of their choice, we're not in favour of that kind of program. We don't want to be locked into that kind of program. In fact, you'll find that most of the provinces would rather not get involved in that, because they're not driven by a sound economic policy; they're driven by what the feds believe to be good politics.

Okay, so we're clear on that one. The next one is decision 6, the [treatment of past expenditures](#). Rick?

Hon. R. Thorpe: Our recommendation here is to review past expenditures. Before someone asks me the question, "What is past expenditures?" let me expand upon it.

There were a couple of instances where funds were transferred right near the very end of the fiscal year in the past government. We don't completely understand all of the details of those, and we want to go back in and have a look at those. But we also know that there are many ministries in government, and we don't have the opportunity to go in and look at all those ministries. So what we're suggesting here is stuff that was probably done off on a one-time basis in the final days of the former government. We want approval to encourage people to go back and look at those things to see if funds have been parked.

We've identified a couple. One would be the B.C. Science Council, and the other, potentially, would be the B.C. Film Society. Again, if this is approved, we would be asking all ministers to go back and pursue this within the next 15 days within their ministries. This is not going back years and years; this is going back in the last weeks or months of the former government.

Hon. G. Campbell: There's a form of government expenditure which has been called "March madness," which is: if you have money that's sitting there in the account somewhere, spend it. I

think this is really a hoped-for remedy in terms of that, to make sure that the resources that are there are in fact being invested where they should be going, as opposed to just being locked up in some account somewhere to make it look like they were spent. Gary?

Hon. G. Collins: You're probably being a little too delicate, Rick.

Hon. R. Thorpe: That's my nature. [Laughter.]

Hon. G. Collins: Certainly from the finance point of view, one of the biggest surprises I found on my briefing was that of \$220 million of contingency funds, three-quarters of it was spent in the first two months of the fiscal year in the lead-up to the election. The Premier talked about March madness; I think there was a bit of election madness that took place. I know we've gone through our ministry and tried to find where that might have happened, if it did happen.

Now you're suggesting, though, that there are programs that may not be included in the contingencies that may have been within budgets of other ministries where these kinds of decisions were made, perhaps for political reasons as opposed to good policy reasons. Those are the ones you want to try to get in and look at?

Hon. R. Thorpe: That's exactly correct. We've identified a couple of instances. One is B.C. Science Council; the other is B.C. Film. We don't understand all of the details, but in one case I believe it was between \$5 million and \$6 million that was parked, and another one was between \$1 million and \$3 million that appears to have been parked. We just want to understand those things, because on July 30 you told us the state of the nation, and some of our colleagues need help.

Hon. G. Collins: But you're not suggesting, necessarily, that they're all problematic, just that...

Hon. R. Thorpe: No, no. We want to look at them.

Hon. G. Collins: ...you want to look at them and find out what the rationale is.

Hon. R. Thorpe: Thanks for that. I want to be very, very clear. Where contracts have been signed in the proper way and undertakings have been done in the proper way, we're not going to question those. We're very clear on our commitment to honouring contracts and commitments. We just want the opportunity to go back and have a little look and work with people in a cooperative manner to see what's there.

Hon. G. Campbell: No. 7, Rick: "[Treatment of exemptions based on practices across Canada or internationally.](#)"

[9:50]

Hon. R. Thorpe: Yes. Our recommendation is option No. 1: Exempt programs to industry sectors where needed for British Columbia businesses to compete on a level playing field nationally and internationally; do not provide any individual business subsidies, even when there are no direct competitors in the province.

Dick, I think that would answer your question on agriculture. This would also apply to tourism and things of that nature.

Hon. G. Campbell: In both cases — in all cases that I see the recommendation in the cabinet documents — it does not say: "Exempt programs." So I am taking the recommendation to be "exempt programs," not "exempt subsidies." I think that the term you're using here is not "subsidy"; we're talking about a program, not a subsidy.

Hon. R. Thorpe: Okay.

Hon. G. Campbell: So the recommendation says: "Exempt subsidies...." I think it probably is just because of the drafting of the report — that the purpose here is to exempt programs, industry sectors.

Hon. R. Thorpe: That is correct.

Hon. G. Campbell: There are seven specific recommendations there. Any questions or comments on the recommendations before I go ahead?
Colin?

Hon. C. Hansen: This actually pertains to the last one, No. 7. I have found that since we enunciated this general policy of eliminating business subsidies, I haven't talked to anybody who disagrees with that. Even companies that have relied on subsidies in the past are 100 percent supportive.

The one specific example that I've found comes up in some of those conversations is around Ballard Power. Clearly, other jurisdictions around North America and around the world would love to have got Ballard Power to move to their jurisdictions and would have been prepared to pump in huge subsidies to make that happen. That's a company that enjoyed subsidies both from the federal government and from the provincial government in the past.

How do we answer those people who are concerned that we may not be able to ensure that a Ballard Power of the world would indeed be able to remain in British Columbia, given all of the subsidy pressure from other jurisdictions?

Hon. R. Thorpe: Well, I think our answer has to be that our responsibility is to create a business environment here where the Ballards or the Xs or the Ys of the world, whoever is coming next, want to come to British Columbia because we have a very competitive tax policy; we have very skilled workers; we have a very competitive regulatory environment; and where, actually, we have a thriving venture capital market that is what's going to feed many of these science and technology items.

I think those are the things — that's the environment — that as a government we have to create, not standing there handing cheques out to people. I believe all of those things are really part of our new-era commitment of rebuilding the economy of British Columbia: competitive taxation; competitive regulatory; having a strong venture capital market here so our skilled workers, scientists and technologists can be deployed for the benefit of British Columbia.

Hon. G. Campbell: I think the other comment I'd make about that is that it's not unusual for people to find one successful situation and say: "See, they're all like this." The list of the unsuccessful subsidies to business is longer than anyone would care to read. Not only is it unsuccessful in terms of the subsidies to business and what happens with the businesses, it's unsuccessful in terms of the public policy that it was trying to generate.

I think there is just tons of evidence across the board on that. It's been talked about in the country for years, let alone in the province. I think it's clear that, again, in British Columbia people are pretty strongly in favour of eliminating subsidies to business.

I'd like to say: we will move forward with the recommendations, then, that the minister has made. Everyone agrees with all seven recommendations that are on the table.

I'd like to add one other one. That is that any ministers that have concern with regard to the second wave — Sandy and Ted particularly, who raised those issues, or any of the rest of you who have concern on that and how that might be structured and how we might move forward with that — I'd appreciate it if you would talk directly with Rick about that as we move towards October. Okay? The next item on the agenda is Rick, again, on the industrial development incentive fund.

Hon. R. Thorpe: Just before I move to that, Mr. Premier, I would like to thank all the staff in my ministry who have worked so very hard on this project. I'd also like to thank, through the ministers, their staffs that have consulted and worked with my ministry staff in bringing forward these recommendations. It's been a really good team effort in developing these principles.

[9:55]

Hon. G. Campbell: In talking with both the minister and his deputy, I think one of the things about a principle like this is that these subsidies go right through almost every ministry. There's something there somewhere that's hidden, that's effectively a subsidy to business. It's a huge program that they've undertaken. I think they've done a great job of pulling it together.

Hon. R. Thorpe: Thank you, Mr. Premier. We have agreement now on definitions, and the scope of programs and subsidies is very, very important. But I now would like to make a recommendation to my colleagues that is actually action oriented and that we can take immediately. The [Industrial Development Incentive Act](#) has been in place since 1985. Almost \$500 million in loans and investments to businesses have been approved since 1985. In keeping with our commitment to end business subsidies, I would like to suggest that it is time for government to stop making these loans. By [amending](#) the Industrial Development Incentive Act, we can end government's ability to

make new loans and investments using this fund, while maintaining the agreements already in place.

I recommend that we approve [option 2 in the cabinet submission](#) and remove \$100 million of potential loans from the system and maintain our current agreements under the act. In other words, I want to reduce the ceiling on the fund, which now sits at \$600 million. That was bumped up by \$100 million in July 1999 by the former government. My officials advise me that by lowering it by that \$100 million to \$500 million, it gives us the fiscal capacity to maintain the agreements we have in place but also send a signal that we are ending this practice of giving these loans and subsidies out to businesses.

Hon. G. Collins: Thanks, Rick. I have a couple of questions. First of all, you show in your submission that the current loan portfolio has an estimated loss rate of 11 percent. How does that rank percentage-wise with what you would normally see in the private sector? Do you know?

Hon. R. Thorpe: My understanding is that it's quite a bit higher. My understanding is that in the private business sector, it is a range of 3 to 5 percent. That would be my range. We have run historically at 11 percent here.

Hon. G. Collins: That's fine for that. I was just curious.

The portfolio right now is \$497 million. It's just below \$500 million, and the potential cap for it right now is \$600 million. You're suggesting that we go back to the legislation, which is how you reduce or increase the cap, and take it down to \$500 million. What happens as some of these loans are paid back over time? Obviously, the \$497 million figure starts to decline. If we're really serious about not doing this anymore, rather than just reduce the cap, why don't we draft some legislation that stops future loans and then lets the ones that are there and the deals, the contracts, that we're in now expire over time without having to go back each year and reduce that cap? I can see that in the future sometime there may be a desire to go in there and do a special deal for somebody in an effort to use up some of the cap that's remaining there. So why not, instead of just reducing it by \$100 million, draft legislation that stops future loans?

Hon. R. Thorpe: Well, first of all, it's in my ministry. So as long as I'm the minister, there will be no new loans going out of that fund.

Hon. G. Collins: Well, I hope you're the minister for a long time, but none of us lasts forever.

Hon. R. Thorpe: We certainly don't last forever, and some of us don't want to last forever.

We thought this was the thing we could do right now to send that signal fast. I've asked my staff to commit to a process of reviewing the maturities, the status, of those details. It was going to be my intent, quite frankly, to bring forward another recommendation, possibly for the spring session, in that very regard. However, if it's the wish of cabinet to expand that now, then so be it.

We wanted some time to sit down and look at and fully understand the entire portfolio and maturity dates, etc.

[10:00]

Hon. G. Collins: I don't know how complex the drafting would be. I've seen changes that have increased the fund — it's very simple; it's one sentence essentially — in the past. I would encourage your ministry to look and see if there is an equally quick way to just stop future loans, and maybe the Attorney General and legislative counsel can have a look at that. Rather than do it in two steps, it might be easier to just do it once. If it's not, then the two-step process works as well.

Hon. R. Thorpe: I thank you for your support.

Hon. G. Campbell: Joyce.

Hon. J. Murray: I'm wondering whether the second paragraph under "Background" doesn't deal with that already. I may have misinterpreted it, but it sounds like principal repayments and interest payments go into the general fund and not into this industrial incentive fund, as it is.

Hon. R. Thorpe: Yeah, but what the minister is talking about is the capacity of the loan fund. That's what the minister is talking about: the authorization to issue. So I take his comments to heart, and if cabinet would like to add that to the endorsement, I'd be pleased to work with the Attorney to get the amendment in place.

Hon. G. Campbell: I think what we should do is that we will approve this recommendation with the direction that if you can move quickly to the next step, you should do that. If not, you should report back to the cabinet, and we'll deal with it for the spring session.

The second thing I'd like to be very clear about, and I think we should put this in, is that there will be no further loans issued under the Industrial Development Incentive Act.
Yes, Mr. Plant.

Hon. G. Plant: As I understood it, the statement you've just made was the proposal that we were going to look at a sort of step 2 now — that is, to legislate prohibition on further loans in addition to lowering the cap.

Hon. G. Campbell: Correct. As you have pointed out to me on a relatively regular basis, the drafting of legislation is often much more difficult than the establishment of policy.

Hon. G. Plant: That's why I'm trying to get clear what the policy is.

Hon. G. Campbell: What I'm suggesting is the policy, and what I'm hearing from both the Minister of Finance and from the Minister of Competition, Science and Enterprise is that there will be no further loans issued under the Industrial Development Incentive Act.

There is a second step taken here that says we are going to reduce that act to \$500 million. Frankly, Rick, I think that if we've got \$497 million out, it ought to be \$497 million, if you're confident of that number.

Finally, I think we're saying to report back on the detailed legislative analysis that will ensure that we can put this into place so that it meets the criteria established exceptionally well by the Attorney General in the past. Does everyone agree with that?

A Voice: Aye.

Hon. G. Campbell: Okay. Mike?

Hon. M. de Jong: I agree entirely. I just want to make sure there are no statutory provisions, as there sometimes are, presently requiring payment out.

Hon. G. Campbell: I think that's covered by the recommendation.
Greg?

Hon. G. Halsey-Brandt: We did approve recommendation 7 in the previous report about exempted programs, so I assume that this Industrial Development Incentive Act strictly refers to specific industry grants as opposed to grants to programs. Perhaps when it comes back, you could flesh that out a little more for us.

Hon. R. Thorpe: I'd be pleased to do that.

Hon. G. Halsey-Brandt: Thank you.

Hon. G. Campbell: The next item on the agenda is Mike de Jong — a forestry update.

Forest Update

Hon. M. de Jong: Thanks, Premier and colleagues.
We have all heard over the past weeks and days and been reminded of the significance of this issue for the province and the country. The Premier said again today it's the single largest commodity trade between two countries, and softwood lumber is the largest in the world. It's in excess of \$10 billion, and \$5 billion of that comes from British Columbia.

It is one of the, if not the, major economic drivers still in this province — about \$2.5 billion directly and indirectly contributed to the provincial coffers and 200,000 direct and indirect jobs. The numbers of people and the economy and how it is potentially impacted by anything that changes in our ability to trade in this product can have a pretty dramatic and potentially immediate impact.

[10:05]

Last Friday the American commerce department decided that they would impose a countrywide tariff subsidy determination of 19.3 percent that would apply to the import into the U.S. of all

Canadian softwood lumber products, excluding those that originate from the Maritimes. We can talk about the reasons for that in a moment.

What that means in the short term is that during the life of this preliminary determination, anyone that wants to ship lumber into the U.S. is going to have to post bonds to cover that potential liability when this temporary order becomes permanent, if it does. You should know that in the past where this has happened.... There's no certainty around what the final number will be. I think it is thought that the preliminary number generally goes down, if it becomes a final number. You should also be aware that there is an anti-dumping component to this that has not yet been ruled upon. So the potential for the overall obstacle, the overall tariff obligation, could yet increase.

I don't think those that were watching this premiere carefully over the last number of months were particularly surprised — disappointed, I think. It is a pretty grotesque example of the manipulation of a country's own trade laws. All of the information and advice that I'm getting suggests to me that the Americans themselves know that this number is in no way sustainable over the long term. Even to the point where the preliminary determination becomes a final order, if we get that far, there are enough legal holes in this case to drive a logging truck through. Some of the methodology that has been employed is not just suspect but flies in the face of existing American trade law. So we should be aware that one of the dynamics at play here is the obviously deliberate desire to enhance a negotiating position on the assumption that there would be some discussions that might follow.

There is a retroactive component to this decision, as I think most of you know. There was a finding of critical circumstance that was founded around a finding by the commerce department that exports over a defined period of time had increased over 15 percent. You may have heard that in the House the other day. I find the methodology that was employed in coming to that conclusion very instructive in informing one about what was really at play here. They didn't do a year-over-year analysis. They compared three months in the winter with three months in the spring and not surprisingly, in comparing those two periods, found a fairly significant increase. In fact, year over year there was, between the spring of 2000 and the spring of 2001, about an 11 percent increase in lumber exports in Canada to the U.S. Pointedly, that is below 15 percent and, in what has been described as a relatively robust housing market south of the border, I think falls far short of anything a reasonable person would describe as being calamitous for the domestic producers in the U.S.

So that's the situation we are confronted with right now. As I say, it's disappointing that there would be this degree of manipulation. The question now, really, is: what have we done? And what are we going to do? I thought I'd give you a quick synopsis of the work that has been undertaken thus far to prepare for Friday and to prepare the way as we now respond.

[10:10]

I should say this also. There was, in my view, a degree of hesitancy and uncertainty in many quarters in the days leading up to last Friday. People had different ideas about what the number was going to be. Different provinces, I think, harboured some delusional notions that they might be exempted, and that presented some challenges in terms of engaging in a substantive national discussion. Similarly, within British Columbia — although we did some things to try to ensure that the industry came together — different people and groups had different ideas about how they might be impacted or what the preliminary number might be. That uncertainty was all dispensed with on Friday.

There has been a fair amount of work done in advance, Mr. Premier, beginning with your own visit to the Prime Minister in your first week in office, where you signalled that this was a matter coming down the line and that for British Columbia it was going to be of paramount importance. I think that was a message you took to the Western Premiers' Conference as well several weeks later, and it obviously came up at the Premiers' Conference. It was just held, and you've given us a report about your detailed discussions in Coeur d'Alene. Both you and I, on separate occasions, have met with the U.S. ambassador and the consul general. The job of informing domestic politicians and American politicians about the importance attached to this issue in British Columbia has already begun. There's more work to be done, and more about that in a moment.

Mr. Premier, you and I have, on separate occasions, met with Minister Pettigrew. I have been to Washington and met with our counsel and our embassy people. We have convened a meeting in advance of Friday and held a meeting with the western ministers to provide them with a synopsis of British Columbia's views on what was likely going to happen, what British Columbia was prepared to do in terms of responding and to begin the discussions around a strategy. That, by the way, was

followed by a deputy ministers' meeting at the national level in Ottawa, which took place at the request of British Columbia, to forecast what might come out of commerce and develop some contingencies.

Domestically for British Columbia I think the most important gathering was the meeting, which you may have heard about, that took place with stakeholders in Richmond a couple of weeks ago. Candidly, it has been my impression over the last couple of months that there were some lingering divisions originating out of the 1996 agreement, essentially and largely between folks that fared well under the quota arrangement and those that didn't. There were, I thought, some suspicions on the part of some participants in our lumber economy that the situation might be permitted to occur again, and some of them might be left out. My purpose and our purpose was to communicate to them our desire to take account of all of their concerns and that our objective is to secure a level playing field on which they can all compete with one another and their American competitors in a free, unencumbered way. That message was well received and gave us the advantage of being able to subsequently approach Ottawa with a degree of unanimity and unity on the B.C. front.

Out of that meeting — I think you're aware, Mr. Premier — I invited a select group of those individuals to provide an ongoing advisory capacity: the B.C. Lumber Trades Council, the Free Trade Lumber Council, the IWA, Mr. Haggard, two of the remanufacturers, a community representative and a lumber wholesaler that we contact sometimes on a daily basis.

[10:15]

The point we get to now is: how do we respond? Where do we go from here? Yesterday we had a discussion with Minister Pettigrew and representatives from every single province, I think, without exception — perhaps not P.E.I. And I can tell you that as the minister for British Columbia, I presented that group with our opinion on how we should proceed. It is essentially a two-track process, possibly a third track. First and foremost, there is unanimous agreement right across the country and at the federal level that we need to pursue a challenge, an appeal of this decision, with all the vigour and with all of the legal resources at our disposal. All of the adjectives I just used to describe it in lay terms apply from a legal perspective, and we remain exceedingly confident that at the end of the exercise, this decision would be set aside. There are, I should tell you, costs associated with doing that. These lawyers don't work for free, and it is a significant cost. There is an absolute commitment on the part of all of the affected parties in Canada to do that.

As well, I asked this question of Mr. Pettigrew. In British Columbia we want an assurance that from the federal perspective this is the single most important bilateral issue, not bilateral trade issue, between Canada and the U.S. His response was that that is the case. Having said that, I suggested to him that we were interested in seeing some evidence of action that reflected that fact. We have some allies in the U.S., and it is time that we take some concrete steps as a country to step up the public campaign, step up the political pressure on those politicians who would purport to negatively impact the lives not just of Canadians but more directly, from their point of view, Americans — the American consumer who, as the Premier pointed out, is going to pay dramatically more for housing. This is going to price somewhere between one million and two million Americans out of the housing market.

As I think you discussed in Coeur D'Alene, Premier, whatever the notion was around preserving jobs in the lumber industry.... First of all, that's not going to happen, and you can discount that against all of the jobs in the construction industry that are going to be sacrificed as a result of this shortsighted decision.

Now, I don't think Americans yet are hearing that message, and my message to Mr. Pettigrew and our provincial colleagues was: "It's time they do hear that." We, to be blunt, think nothing of loading a hundred people on a plane and taking them to the far reaches of the world on a Team Canada-type mission to explore new market opportunities. Well, guess what. Our biggest market is in jeopardy, and maybe it's time we took a little shorter flight and reminded, in a very direct way, some of the Americans who are responsible for this decision that it is shortsighted and will have a dramatically negative impact on their folks and on ours.

So we had that discussion, and I have to say that there was support for that across the country. The challenge — and we'll get to this in a moment — is to actually initiate the action, and we need to do that quickly and act on what I took as a federal commitment in that respect.

[10:20]

Then there is the question of engaging the Americans. I made it clear to our provincial colleagues and to Mr. Pettigrew that in British Columbia we are inclined and prepared and willing to test the Americans on their supposed interest in substantive policy reform in the forest management area. Again, candidly, it's easy for us to do that, because we were elected on a platform that says we're going to do just that, for purely domestic reasons.

I can tell you that there is a willingness at a national level to go down that road. I suggested to all of them that they would perhaps be interested to see in detail where British Columbia, as the single largest participant in this exercise, is prepared to go. I have offered to provide them with a detailed briefing in Ottawa in the next several days because we are interested in testing the Americans before the end of the month. There is an opportunity to do that, but we will make our information, our approach available to all interested parties.

As I think we've said, and the Premier has certainly said in the past: "We want to move ahead as a unified country." But this affects British Columbia far more than it does any other province. I think there is an understanding on the part of the other provinces that British Columbia is taking the lead on this, in the same way that Newfoundland wouldn't presume to take orders from Saskatchewan on a fish dispute and Saskatchewan wouldn't presume to take orders from us on a Wheat Board issue — because of the impact this is likely to have. So we are going to move forward with that in the days ahead and operationalize our plan.

I want to say, Premier, just quickly, two more things about exemptions, because there was an opportunity for companies to file for an exemption with the commerce department on the preliminary order. That time has come and gone. In fact, the window to do so lasted for about three days on a long weekend, so once again I'm not sure how seriously we should take that order. The dates for the application for a company-specific exemption with the commerce department is September 28. We are asking for documentation to be received by the province, because we have a warranting function for the information contained in those applications. We're asking for that documentation from stakeholders by September 5 so that we'll have opportunity to do the work we need to do.

The Maritime provinces are, of course, exempt. That is, as the Finance minister pointed out in the House yesterday, a historical situation that essentially revolves around the land ownership question in that part of Canada. To anyone who might ask about a province-specific exemption for British Columbia, it is a baffling question. We are the target. It is imports into the U.S. from British Columbia that this industry lobby in the United States is targeting.

[10:25]

Premier, I am going to speak with a fair degree of conviction around the need for us to get into that American market and to remind consumers and American voters that their lives have just been made more difficult by a very shortsighted decision dictated by a small group who have, admittedly, exerted some pretty effective and specific influence on a protectionist-minded group of Senators. It is in no way compatible with my notion of free trade — or yours or, I think, anyone's around this table — and it is hardly consistent with the words we have heard from President Bush, who only a week ago spoke rather passionately about his own commitment to free trade. So I think the time has come for the President and the administration to become engaged, to take steps to set this order aside and establish that his are not just gratuitous words but that they actually mean something. I don't think that's going to happen overnight. I think there are some things that we are going to have to do to force that issue.

I am heartened that the Prime Minister has indicated to you his willingness to engage the Americans at the highest levels, but we shouldn't be under any illusions. That's what it's going to take. We are going to do all of this work to create that sense of the imperative, while we are fighting the legal case, to ensure that the Americans understand how bad a decision this is for everyone. But at the same time we will need to build to that point where you and the Prime Minister are reminding the American administration that if they value our historical bilateral relationships and our trade relationship, this is not a decision that is compatible with a country valuing that relationship in the way that I think we all do.

Hon. G. Campbell: Questions. Lynn?

Hon. L. Stephens: Mike, for me, what the U.S. lumber producers are doing is just market share. It's really all about market share, and they're trying to protect theirs. Even though they've done this two or three times over the last number of years that the Premier was talking about, they're always

unsuccessful in the dispute resolution settlement process. It always goes against them. So for me, what this really does constitute is U.S. harassment in violation of the principles of the free trade agreement. It weakens the Canadian lumber industry and certainly the B.C. lumber industry.

First of all, I want to say that I support everything you've talked about and everything that the Premier has said he's been doing in terms of lobbying with the legislators in the U.S. I think that in the short term, we are going to win. I'm convinced that when it does come to the dispute settlement process, we're going to win again. But in the meantime, all of that damage that has been done weakens our industry in British Columbia.

Over the long term what I want to suggest is getting the federal people and all the provinces and lumber producers in Canada that are affected by this to form a very strong lobby group — perhaps based in and registering as a lobby group in Washington — to educate U.S. producers, U.S. elected representatives and legislatures in the U.S. states on B.C.'s forest practices and the fact that we don't subsidize. I think a lot of Americans are quite ignorant and unknowledgable about many things Canadian generally. Certainly, I think this is one that many of the legislatures are ignorant about.

I think that the third part would be to formulate some kind of lobby group or an advertising campaign, as well, that targets the consumers in the U.S. to make sure that they're aware of what these kinds of harmful trade practices are doing to their options and choices. You talked about a million U.S. citizens that aren't going to be able to afford their own homes as a result of this. So I think if we can do that, if we can get the federal people, the provincial people and the lumber industry to form a solid lobby group based in the U.S. embassy in Washington and be very aggressive in educating the U.S. lumber people, the U.S. legislators and the consumers in the U.S. on what these kinds of harmful trade practices mean for all of us....

Hon. M. de Jong: I think that for reasons you alluded to at the outset, I'm less concerned or interested at this point in engaging in some sort of an educational program with the lumber producers. They are, as you've said, interested in one thing only, and that is increasing their own domestic market share. But I think your point is dead on in terms of exerting some pretty intensive political pressure on the politicians who will have to explain to their people why it is that the cost of housing in the U.S. is going up dramatically, why it is that people involved in the construction industry are now out of work, and ask them to consider whether conceding these points to that industry is worth jeopardizing their relationship with their largest trading partner.

[10:30]

I'm not sure — well, I am sure, actually — that message has not been received in the intensive, aggressive way that I think it needs to be.

Hon. L. Stephens: I agree.

Hon. G. Campbell: I just want to say that I've got a speakers list: John, Greg, Rich and Bill.

I do think it's important for us to note that really the focus on this issue was not there for a long time. In fact, in opposition we asked the previous provincial government here to allow us to join so that we could take a strong British Columbia voice. It took a long time to get a British Columbia voice from the industry. There were winners and losers under the managed trade agreement that was there. There wasn't the kind of drive from British Columbia that we needed.

I think what Mike has been trying to assert here is that the low number is 50 percent of the share of the software lumber agreement. The high number is 60 percent, and you know, we're edging a lot closer to 60 than to 50. So we had an obligation to take some leadership here. Mike's doing that. He talked with the minister yesterday and tried to outline some of the areas where we think we have to move forward. But I don't believe we should sit in this room and have any illusions.

The American legislators have been lobbied and campaigned against for years now. They believe our industry is subsidized. The challenge we have is to start to have Americans understand that there are parts of the world that actually do things differently than they do in the United States. In the United States, I can tell you, in talking to the western Governors, the first thing they'll say is that their problem with supply of timber isn't Canada. It's the federal forests in the United States. The federal forests aren't managed so that they can get the flow of timber they need. There are two major owners. There's a private sector ownership in the United States, and there are the federal forests.

They don't understand that British Columbia, Alberta, Ontario, Quebec own the natural resource. We manage the natural resource. That's not part of their world, so we have to partly start them understanding that. It's exactly the same issue that Premier Klein and I and the other western Premiers were making with them with regard to energy. We own the energy resource. They have to understand that as we move forward.

I think there is work to do in that regard, which is longer term. But what Mike has been advocating, which I think is important, is that we have to find a way to communicate with the American public. The American public does not understand the impacts of this on their lives. The people in the construction industry or the homebuilding industry don't understand the potential impacts of this on their lives.

As I mentioned, we're already watching the cost of timber.... The cost of softwood has been going up in the United States this year. It's up 52 percent this year already. There's no question that this is not about reducing prices or anything like that; it's about restricting markets. We have to have, I think, a multipronged initiative. I think that Mike is doing a great job on moving that forward. British Columbia's voice is going to be very important in that.

The challenge for us to remember in this room is that British Columbia's voice has not always been a united voice. People who had quota were much happier with the former system than the people who didn't have quota. The people in the interior were much happier with the former system than the people on the coast. That was for a whole bunch of economic reasons before. We have a chance now to move this forward, and we are going to do it aggressively. I think that's what's going to be critical to us. But we have to start with them understanding that this is not the world that they think. Indeed, what's really happening here is that 19.3 percent that the commerce department put is a subsidy to ineffective, inefficient, non-competitive American mills and industry. I've got John van Dongen, Greg Halsey-Brandt, Rich Coleman and Bill Barisoff. John?

Hon. J. van Dongen: Thank you, Premier.

Just a question to Mike on a parallel situation. This involves the B.C. greenhouse industry. We're facing an anti-dumping action brought by six growers in the United States alleging dumping by our industry, particularly with respect to tomatoes. Mike, you talked about the uncertainty and the different points of view on strategy prior to the preliminary decision on Friday. We're facing the distinct possibility of a similar preliminary decision on September 4 with respect to tomatoes.

[10:35]

I'm interested in whatever advice, with the benefit of hindsight, you could give to the provincial and federal government and the industry in terms of strategies and actions to influence the preliminary decision that the.... As other people have said, you get a significant preliminary duty or tariff imposed, and you may not live to see the day that you see the final decision, which you're confident about winning. You can really have the industry wrecked in a period of time while you're waiting. So I think that the preliminary decision is a critical one. How do we influence that in a better manner than what we may have done in the forest sector?

Hon. M. de Jong: I guess if I had an effective answer, John, we wouldn't be looking at a 19.3 percent ruling. It depends what you're dealing with too. If it's a CVD, you're probably engaged in a pretty direct way. On the anti-dumping front, they do of course target specific companies. The companies themselves carry much of the ball on that in terms of establishing that they weren't selling product at a loss, and they're in a better position individually to make that case.

The reality is that the Americans play this game for keeps, and at the preliminary stage you don't have to be a rocket scientist to figure out that in this case, they have levied a much higher rate than is defensible in any way, shape or form as a way of enhancing their negotiating position if we get to those talks. I think that in the case you're dealing with, those producers are probably smart enough to realize they're going to have to brace themselves for it. There's going to be a bonding requirement pending a final determination.

The question is, again: how serious are they about finding a solution, a long-term solution, to the issues they claim are at the root of their complaint? I don't know your case well enough to know whether or not they are alleging broader systemic difficulties that they say represent unfair trade practices or whether they're simply alleging that the producers are selling at a loss in the U.S.

Hon. J. van Dongen: How important is it, Mike, in terms of influence in the preliminary decision, to have a very clear, unified national position? In this case we've got B.C. and Ontario growers involved. Is it critical, or does any of it matter? I guess that's my point.

Hon. G. Campbell: Yes, it matters. It's critical that we speak with one voice. It's critical that British Columbia and Ontario speak with one voice through to the U.S. trade representative, as well as the Department of Commerce. It's essential. If you're not speaking with one voice, they'll pick whatever they want — what one side said and another side said — and then they'll deal with it.

Hon. M. de Jong: I think that's true. It's a constant challenge for us. They're brilliant at hiving off parts of Canada. It's been a problem in this country.

Hon. G. Campbell: The thing that I think we have to understand is that they do speak with one voice. The fact that we have a diversity of ownership, diversity of interests.... We have to find a way that we're speaking with one voice too, or we go to the table without even the power we should have in a very difficult situation.
Greg?

Hon. G. Halsey-Brandt: Mike, I'd be interested in your comment particularly about supporting the B.C. companies that are affected and perhaps keeping the 19.3 percent at home here in British Columbia. As the Premier mentioned, as I understand it, the 19.3 percent flows through to the American forest companies and lumber producers in the United States, the very people who are bringing the charges against Canada.

Was there any discussion with Pettigrew or anyone else in the federal government about having the tax here in Canada, the equivalent of 19.3 percent, so we keep the money here until we win the court battle in the United States and then repay that to the companies, as opposed to it being lost here in British Columbia and going to the southern states?

Hon. M. de Jong: I think, Greg, there are people who would advocate that as a solution to the problem. But you know, we've gone down that path before, and I'm really not particularly interested in doing the Americans' dirty work for them. I'm not particularly interested in authoring an increase in the cost of production here in British Columbia.

I think we have an obligation, at this point, to test whether or not the Americans are serious — maybe not the industry, but the administration — when they say they are interested in examining systemic forest management policy change if we are prepared to entertain that suggestion. That discussion will undoubtedly come up again, Greg, but I think I've signalled my preference and what's in the long-term best interest of the province.

[10:40]

Hon. G. Halsey-Brandt: I certainly agree. None of us support doing the Americans' dirty work for them. It was just a question of the money flow. I take it that the companies here have to put up a bond to ensure that they can pay the 19.3 percent. Maybe it's a question of timing. They don't actually pay that until there's a final resolution of the court case.

Hon. M. de Jong: That's correct.

Hon. G. Halsey-Brandt: Okay. Thank you very much

Hon. G. Campbell: Thanks.
Rich?

Hon. R. Coleman: My point is very quick. Mike, you said that between one and two million people will be taken out of the housing market in the U.S. I don't think we can leave that just hanging there. If the average house in the U.S. is \$100,000, that's \$200 billion in economic activity they're going to lose by not having those one to two million people buying a home.

But the other factor that I think is no different on one side of the border than the other is that every single home we build is 2.8 permanent jobs, full-time jobs. So you're talking about taking out of their job market millions of jobs, 2.8 to 5.6 million jobs. I think that those points have to be made to them very strongly. The economic activity loss and the downstream job loss are absolutely substantial when you take that many people out of a housing market. If we had that many home starts in Canada, we wouldn't have any trouble with any economic activity.

Hon. M. de Jong: I agree.

Hon. G. Campbell: Bill.

Hon. B. Barisoff: One of my questions is along the lines that Greg asked: whether we could get the money coming back into B.C. first, rather than going back into the U.S. The Premier partially answered my question, Mike, but my concern is what ends up happening with that 19.3 percent duty. Where does it ultimately end up on the American side, if we end up paying it in the end?

Hon. M. de Jong: Okay, a couple of points. First of all, it is a preliminary determination. It is not the final number. We don't know what that final number is going to be. When there is a final number, the duty is paid on that basis, and because there has been a retroactivity finding, it is paid for the three months just past. As it stands, it is paid to the United States, and there is a process by which it might ultimately end up in the pockets of our competitors down there.

Assuming we appeal, which we are, and win, which we will, there is an issue about whether or not that money is ever returnable. Under the WTO, it's not. So you win the war, but you've lost a significant financial battle along the way.

Hon. G. Campbell: Gary.

Hon. G. Collins: Quickly, Mike, you talked about the legal fights and the legal bills that we're facing down there. Do you have any idea how much money — in the ballpark for, say, the last five or ten years — we've spent on legal bills for fighting this, either the government directly and/or the industry, versus how much money we've spent on political action or lobbying or communication strategies to try and win public and political support for our cause in the U.S.? Do you have any idea of those numbers?

Hon. M. de Jong: I can only tell you the former based on my limited exposure to the file. When you take the industry group and government, we're into the tens of millions of dollars over that period of time in terms of the legal component to this. I'm not sure that we have devoted any significant amount of energy or financial resources to the other issue that you spoke to, the impact of this on the American consumer.

Hon. G. Campbell: Okay, thank you very much, Mike.

Hon. M. de Jong: Premier, the pine beetle task force has asked me to report to you that they are on-line, on task and on schedule for reporting back in September, as is R&S Rogers, providing the technical report on that issue.

Hon. G. Campbell: Okay. Great.

The next item on the agenda is the nursing strategy. I understand Sindi will be leading that off and surely will be participating, and then Sindi will close.

[Nursing Strategy](#)

Hon. S. Hawkins: Thank you, Premier. I am absolutely delighted today....

Hon. G. Campbell: Sorry, Sindi, to interrupt.

I'd like to make sure that everyone is dealing with the paper that was handed around. It's the new piece of paper; that's the report. Okay?

Hon. S. Hawkins: Thank you. We've made one little change.

I am very pleased today to outline the first steps of our nursing strategy. It's part of our overall nursing strategy as part of the health human resources plan. It is a [\\$21.41](#) million investment in nurses. I know that all members are very supportive of this.

[10:45]

It's no secret, I guess, that all the provinces have been experiencing a severe shortage of nurses. In fact, it is a global issue. It's not a new issue. Nurses have been raising this for the past ten years, and it wasn't addressed. In fact, the past government actually cut training positions for nurses, which only served to worsen the situation. Between 1996 and 1999 we had 150 fewer nurses graduating from nursing programs due to cuts.

We have recognized this as a high priority, and we committed to developing a strategy, literally on the first day on the job, to address the nursing part of it. It was certainly referenced in our New Era

document and also in the throne speech. We recognize that three out of four health professionals in our health care system are nurses, so we know that they are a critical part of our system. Really, the shortage of nurses has been overlooked for far too long.

The situation hasn't changed a lot in the last ten years, but nursing has changed a lot in the last ten years. Nurses are responsible today for more acute, complex patient care, increased technology, new drugs. Procedures require more specialized knowledge and specialized care. Certainly, Premier — again referencing the dialogue on health care — I think you heard, as did I, many nurses express the concern they feel that today, in government at a high policy level, there isn't a clear understanding of how hard it is to be a nurse, and no one has really listened to their cry for help. Well, I want to say today that we have heard that cry for help. We've heard it loud and clear, and at a high government policy level there is a very clear understanding of how important nurses are to our health care system.

I say this because I know how hard it is to be a nurse. I know because I am a former registered nurse. I know how hard it is to be on the front line day after day, looking patients right in the eye, helping families and those patients go through their personal struggles. I can tell you, it was a very satisfying, gratifying job for me, and I want nurses to be able to say that again. I know that they go into the profession because they care for people, and we have to show that we care for our nurses as well. I believe we have started to do just that by investing \$21.41 million in these first steps.

We invested \$300 million to give B.C. nurses the best combined wage and benefit package in Canada on top of the tax cuts. These initiatives show that we do care, I believe. We know that there has been a lot of interest from nurses around the world and from the rest of Canada in coming to our province now. In fact, the B.C. Registered Nurses Association has been flooded with calls, I understand. Applications from out-of-country nurses grew by 137 percent so far this year. From around Canada interest has increased by 41 percent, and applications overall are up by 28 percent. There have been 285 applications, I understand, from other provinces, of which 180 are from Alberta and Ontario. These are all positive signs, and it shows, I believe, great promise as we move forward in building our nursing resources in this province and our commitment to patients to bring stability to the system and confidence again to the system.

We made specific commitments in our New Era document. These nursing initiatives deliver on exactly what we promised. We promised measures to encourage B.C. nurses who are not working in the profession to return to the health system. We promised new opportunities for nurses to upgrade their skills, to recruit more foreign-educated nurses, to add additional nursing seats and to help with funding for equipment that will help in avoiding workplace injuries. The initiatives that I'm going to lay out for you include all of those.

This was not a small task, and the credit for this lies between a lot of ministries. Certainly, the Ministry of Health Services; the Ministry of Advanced Education; the Ministry of Community, Aboriginal and Women's Services; and, I guess, the Ministry of Finance too, because they helped us with this, deserve the credit. The Premier led the way in making this a priority, and I think there's just been incredible support for this. We appreciate all of that.

[10:50]

If you follow with me, we'll just go through the various initiatives. The first one is the [recruitment of non-practising registered nurses](#). We are investing \$1.1 million into this plan. We will launch it by October 15 of this year. We estimate that there are approximately 4,000 non-practising nurses in B.C. There are 360 seats that are generally offered twice a year for refresher programs. Those refreshers are six months in length. So there's the potential for about 700 nurses graduating from this program. We believe there's about 25 percent of foreign-trained nurses who are underemployed in the health care system, working in health authorities. That means they are working at jobs that aren't RN, but they have the potential for getting their RN. What we've set up is a program for establishing a nursing-in-B.C. recruitment program. We want to target that at non-practising B.C. nurses, at the underemployed foreign-educated nurses, and certainly help our specialty-trained foreign-educated nurses that we are going to recruit offshore to upgrade in the refresher program, get their RN and work in B.C. There is \$600,000 for the nurse refresher bursaries program that will be administered through the Ministry of Advanced Education, student services branch. We hope to help 170 nurses upgrade with that bursary and another half million dollars for health authorities to utilize to upgrade their underutilized foreign nurses that are already working in the system in non-nursing positions. That is approximately 100 nurses. So 270 new nurses in the system would be helped by that initiative.

Secondly, there's an initiative to [recruit foreign-educated specialty nurses](#). We have budgeted \$400,000 for that, and that is going to begin in October. We are going to actively go abroad and recruit foreign nurses with specialty certifications. We know — because the Health Services minister is very aware of this — that about 5 percent of the nurses do 40 percent of the overtime. Those are the nurses in our critical care areas, our emergency rooms, labour and delivery, operating rooms, and they really need the help. If we don't have them, we end up backed up with waiting lists. We need them to offer that special care for surgeries, for emergencies. We think this initiative will help relieve some of that stress. We are going after about 90 nurses with this initiative.

[10:55]

The next initiative I can't underline the importance of enough. It is [patient lifts and hospital beds](#) — \$15 million, to begin immediately. This is an investment in equipment to show how much we value the people who work in the system. Whenever there is a list of what equipment we need in hospitals and health care, beds and lifts seem to go to the bottom of the pile, and it is a significant investment because it saves people from injuries and saves our nurses' backs. I can tell you, having been a nurse, I know how important this is. It's always deemed a low priority, but you know what? When you're bending and straining and lifting, it is going to be a huge help for nurses who are asked to do very, very heavy work. We have nurses on workers compensation and long-term disability because we don't invest in equipment like this. I'm really pleased to see that we are putting \$15 million immediately into assisting the quality of the workplace for our nurses. This initiative includes 3,700 electric beds at \$4,000 a bed — they don't come cheap — and 3,000 patient lifts at \$5,000 a lift. The good news is, as I said, that it'll save a lot of backs. It's more than just nurses who will benefit from that. We have our care aides, lab techs, OTs, physios that also come and treat patients, and lifting and bending and straining are injuries that they suffer as well. So I am very, very pleased that this was given a high priority and we're able to find the funds in the existing budget to fund this initiative.

The fourth initiative is a [specialty education incentive](#). We are investing \$500,000 in this. We will be implementing it by October 30 of this year. We will establish a specialty nurse education fund for health authorities to use to offer skills upgrading and certification for specialty shortage areas. Those are the ones I mentioned already: emergency room, operating, labour and delivery, critical care areas. There are approximately 60 nurses that can be helped by this fund.

You know, the reason we're doing this is that we have recruiters who come and take our nurses away by offering them these kinds of initiatives. This is something that attracts nurses. It's skills upgrading. It's more job satisfaction for some nurses, to be able to get this experience and work in those specialty areas. It's a great educational opportunity for career advancement and satisfaction. We think it's money well invested. As well, it adds into our system another 60 nurses with the kinds of skills that we need in specialty areas. So we are looking not only at enhancing the quality of a nurse's career but also at addressing the shortage in specialty-trained nurses. This will start addressing the problem, I think, of the shortage in that area and, hopefully, help us keep our nurses, because they do get attracted by recruiters coming and offering them these kinds of offers. We need to do the same, and we have addressed that with this incentive.

The fifth incentive. We have decided to invest \$1.1 million in [utilizing registered nurses](#) that are on long-term disability and workers compensation. We will put this in place in January of 2002. There are about 1,800 nurses on WCB and long-term disability in B.C., and we believe that about 10 to 20 percent of them may be able to take up non-lifting nursing positions. The kinds of positions we're targeting for those nurses are the kinds that we need for experienced nurses to help our new graduates and our students on the wards. We call them mentors and preceptors. I know that might not be a term that's familiar to a lot of people, but I guess you could say that a mentor or a preceptor would be something like an experienced pair of hands or a teaching buddy.

The cost of preparing a mentor/preceptor is about \$500. The cost of a return to work over a 12-week program for nurses is \$8,700 for the salary and \$800 for administering that. We believe we can, if we aggressively go after this program, return about 110 nurses back into the system to help our new nurses and our students gain that experience — those experienced sets of eyes and hands and observations and the comfort of having an experienced nurse work beside a new nurse. This really addresses a lot of concerns that employers and nurses working on the ward have, as far as not having those experienced people there to help our new graduates and students. So I think this is, again, a very exciting initiative. It helps some of those nurses who I know want to get back to caring for patients do that but not have to worry about the lifting and the strain.

The sixth initiative is a [nursing grants program](#) — \$1.2 million. We will start rolling that out

immediately. It is a grant program to be utilized by health authorities in rural areas. It's going to be used to help reduce workplace stress, to assist in integrating new nurses into the system and to improve the quality of care. It is by application. Again, it will address the kinds of strategies that the rural areas face, which are specific to rural areas. Certainly, we will be inviting applications for mentoring/precepting strategies and the like, which I just mentioned. This is specifically for rural areas.

[11:00]

The seventh initiative is something I am quite committed to and believe it's important to have: that is, a [chief nurse executive](#). It is a new position. I believe it's important to have that front-line experience to guide our policy. I'm looking for a dynamic and experienced leader who will contribute to developing our health human resources plan and, specifically, help us with our nursing strategy, including education, recruitment and retention planning. That person will advise us on alternative models and methods for delivery of professional nursing and will also help us understand how to connect with the profession.

I think this initiative shows how highly we value the contribution of nurses. It deals with our commitment to addressing the nursing shortage and improving patient care. I understand that this initiative has the approval of the B.C. Nurses Union and also our registered nursing licensing body, RNABC. We have been working very closely, as I said, with other ministries. Certainly, Shirley and her staff have done an incredible job in the Ministry of Advanced Education. I think she has some exciting things to announce as well. Again I want to thank everyone that was involved. I'm going to turn it over to Shirley, and then I'll close.

Hon. G. Campbell: Shirley.

Hon. S. Bond: Thank you, Sindi and Premier.

This is an exciting initiative, because when we looked at the planning process, we wanted very much to look at three components of it: recruitment, retention and education. We worked very hard to look at all of the issues that we were facing and tried to create some sort of short-term initiatives in each of those areas, so you'll see that it's a quite broad spectrum in terms of the things that we plan to deliver.

The planning process is excellent, the way that it's working across ministries. Our staff have worked very hard together to look at the issues of supply and demand. In the Ministry of Advanced Education, in addition to the other initiatives that we need to take care of, two in particular have been our focus for the last 71 days. We are pleased today to announce [additional education and training spaces](#). We are going to, in January of 2002, increase the spaces by 78 for registered nurses, 49 for licensed practical nurses and 50 for resident care aides.

That is a significant number in light of the fact that we are adding over 400 seats in September. So it was a task for the institutions to look at the recruitment of faculty and space issues in order to address another 177 spaces across those particular categories. That is an exciting plan for us. We're looking forward to seeing those begin in January in addition to the numbers that we're beginning in September.

Secondly, we're going to look at three classes of [English as a second language for foreign-educated nurses](#). The first class will begin in October of 2001. What's exciting about this is that the curriculum will reflect the use of medical terminology, communication between colleagues on the worksite and in particular technical English skills. We look forward to working with RNABC, as a matter of fact, as they identify potential candidates. We're looking at the first cohort beginning in October. We're looking at three institutions, each offering one section as need is identified to us.

That is the second initiative and perhaps the most significant and one that I think is an exciting development in light of Sindi's comments about the wage settlement that we just achieved and the tax cuts we would like to also.... We will be beginning a forgivable student education loan program in this province. In return for working in areas of greatest need for five years, nursing and medical students who began their years of study and actually graduated in this current year will be eligible to apply to have their student loans forgiven as they commit to serving in areas of greatest need in this province.

[11:05]

I want to give you just a bit of a sense of what a student debt load is and explain the challenge we faced in this model. A student — for example, a diploma nurse who graduates — has a debt load

that is fairly significant. There are two portions of it: the B.C. student loan portion and the Canada student loan. Our program will see the forgiveness of the B.C. student loan portion of that.

An example of how much that might impact a diploma nurse: that would be approximately \$4,300 over the period of five years. We're looking at forgiving it at the rate of 20 percent for each year they serve. A baccalaureate nurse will have an average B.C. student loan debt of approximately just under \$9,000. This will also include medical school graduates, and medical school graduates have an average B.C. student loan debt of almost \$22,000.

So the principle will apply across each of those particular positions: a 20 percent forgiveness rate over the number of years that they agree to commit to serve in underserved communities in this province. Considering the very high profile in leadership we're taking in terms of the federal agenda, I think this is one of the areas where we will certainly be urging our federal counterparts to consider looking at the Canada student loan portion as well.

| The four initiatives that we have described are part of a package that we believe will make a....

Interjection.

Hon. S. Bond: Is it three? It's three. I can't even count to four. It's three.

We're excited about what we have been able to do in the very short term, and I want to make that point extremely clear. These are the short-term measures we intend to initiate as quickly as possible, but we'll ultimately be continuing to work on our goals of increasing seats, addressing the issues and working very closely with Sindi and Colin to create the ten-year plan that's necessary in British Columbia.

Hon. G. Campbell: Sindi?

Hon. S. Hawkins: Thank you, Shirley.

That wraps up the initiatives to date. I want to say that these are first steps. It's a \$21.41 million investment. Our overall goal, as I say, is to improve patient care, and I want all health care providers to know we are listening. We are doing what we said we were going to do, and we've acted very quickly. In fact, we literally started on day one with these initiatives.

There has been incredible interministerial cooperation. Everyone recognized this as a high priority for retention and recruitment, and I'm proud of all the work that's been done by all the ministries and all the staff. I'm certainly grateful for the support given by the Premier for this initiative to move through very quickly. We'll take some questions if there are any.

Hon. G. Campbell: I've got Gary, Bill, Judith, John and Graham.

Hon. G. Collins: Thanks, Sindi and Shirley.

I want to put this on the record. I know this is one of the criteria I sort of put out as the two of you were working on this proposal over the last little while, but I want to get it on the record.

The prior government made all sorts of promises and commitments about training spaces and programs, etc., over and over again, and it never delivered on them. I think that's one of the causes of the exasperation and frustration that individual nurses out there, working on the wards and elsewhere, have been dealing with. There's not much confidence or trust between the government and the nurses for that reason.

One of the things I said early on was that I didn't want you guys to try to come together with any program here unless it was absolutely there — the money was there, we could afford it, we could fund it, and it was actually going to happen. So I just want to hear it from you on the record, both of you, that these are programs that we are actually going to deliver. They're not just numbers we've pulled out of thin air as targets that are going to go by the wayside.

Hon. G. Campbell: Are you phoning from Treasury Board or something? [Laughter.]

A Voice: Now you know what I put up with. [Laughter.]

Hon. G. Collins: These are real numbers and real targets, and we're actually going to do it, as opposed to just talking about doing it.

Hon. S. Hawkins: Thank you, Gary, and thanks for putting it in such a nice way for a change. Shirley and I have been through this a lot.

You're absolutely right. It's no secret that we've been working on it. I think everybody's been trying to get the numbers out of us, but we have been very careful to work on this and make it so that it is absolutely realistic and deliverable.

Hon. G. Campbell: This can be done.

Hon. S. Hawkins: And I'm sure the Premier is going to hold me to these targets more than I know.

[11:10]

But these are numbers that we will deliver. I have every confidence that the ministry staff will deliver on this. I will deliver on this. Shirley has just done an incredible job of squeezing out the very last spaces available in the institutions. I put implementation dates on those, and we will be tracking it and reporting back to you.

Hon. G. Campbell: Shirley.

Hon. S. Bond: Yes.

Hon. G. Campbell: Excellent.
Bill.

Hon. B. Barisoff: What will happen to a student that goes into the program, who endeavours to get through school without having student loans? Would they have any incentive to go into any of these areas? Or should they automatically just assume to take student loans, so they would know that if they went into some of the areas that are needed, the rural areas, they would get the forgiveness?

Hon. S. Bond: It's a great question, and we've had a fair degree of discussion about that very kind of thing: how do we create an incentive for people who don't have loans? You're right. This is an issue that addresses those who carry a debt load, and there are numbers of students that don't. It's an ongoing discussion in our ten-year plan. You're right. Is there some other way to create incentives? We actually looked at another option to create some type of incentive for those students, so it's a good question and one that we're continuing to discuss.

Hon. B. Barisoff: So will there be something put in place for the students that choose not to, who want to work during the summers, pay off and get their education? I think what's happening here is that students are going to end up saying: "I'm going to take a student loan, if I'm planning to go into the rural area."

Hon. S. Bond: I think there's also a commitment that they're making some decisions about their lives as well, but the answer to that is: it is under discussion. There's a financial impact to that which is significant, and as the gentleman on your left made it clear to me, I had to find this money out of our current budget. This is what we can afford today, and this is what we're going to do, because these are existing funds. In other words, we had to shift some priorities to even make this happen.

Yes, the discussion will continue. We recognize it's an issue, but we're really excited about the fact that we can at least create an incentive for a number of B.C. graduates to stay in areas where we need them.

Hon. G. Campbell: Judith.

Hon. J. Reid: I have one comment and two questions. With regard to the recruitment of foreign nurses and the money that is going to be spent there, I'm presuming that there is going to be tracking of the methods used so that we develop an effective process for the dollars spent. That is my comment, presuming that we are going to do that.

The first question has to do with the patient lifts and the hospital beds. I'm constantly getting information from people all over British Columbia, suggestions on how government can do technical things differently. I'm wondering, with the hospital beds and the lifts, whether.... I'm sure you must receive an awful lot of these suggestions, too, on how these costs could be reduced or how things could be done differently. So, for the people who are going to be interested in whether you've tried their ideas, how would you like to respond to them?

Hon. S. Hawkins: I'll answer the first one, actually, on the foreign nurse recruitment. We are putting together an excursion, where we are going to send a group over. We are targeting New

Zealand, Australia and, I believe, Singapore and looking for foreign nurses with specialty certification to come here. We will be working very closely with the minister responsible for immigration, George Abbott, and hopefully getting those nurses through the provincial nominee program. That's why we've been working with his ministry.

We will be keeping track of how many we target there. We'll hopefully be going over there with members of our licensing body, so they can actually evaluate the qualifications on site. That's how we're using that money.

Hon. G. Campbell: Colin.

Hon. C. Hansen: In terms of the lifts and the beds, there are actually two things here that will result in a significant benefit to the system. First of all, in the absence of the overhead lifts and electric beds it often requires two nurses to move a patient. With this technology being brought in, they can do that lifting and moving of patients with one nurse. The other thing is the huge cost in terms of workplace injuries that is being incurred, and health care is actually the most dangerous — if that's the right word — profession or industry in all of British Columbia when it comes to back injuries. So this is going to make a significant difference.

[11:15]

What's happened in the past is that there has been a significant amount of micromanagement from the Ministry of Health in terms of how these dollars get implemented as equipment dollars and get used in the province. The approach we're taking on this \$15 million is to allocate it on a fair, equitable basis across the province, based on the number of beds that a health authority will have in its region. Then we're looking to the health authorities to determine how they can best utilize those dollars between the mix of beds and lift equipment, including the type of lift equipment that they think is preferable. So it's not something that's going to be dictated or micromanaged out of the Ministry of Health Services but, rather, left to those on the front lines to decide how those dollars can best be used.

Hon. S. Hawkins: Colin, as a follow-up, let me say that last year there was quite an investment made in Vancouver for lifts and beds. This \$15 million will be used outside Vancouver.

Hon. G. Campbell: Thank you.
John.

Hon. J. van Dongen: Two questions to Shirley. In terms of the training spaces for the three professions that you've listed, what are the training time requirements for each of those professions — the nurses, the LPNs and the resident care aides? Secondly, what is the relative need within the system for those three professions?

Hon. S. Bond: The 48 spaces that we are going to introduce to diploma nurses are three years in length. There are 30 spots in the BSN program, which is four years in length, and the practical nursing programs are 12 months in length. There's a need for an increase in all of those particular areas. Those are in addition to the other numbers that we've increased those seats by. So those are the time frames. Those are all areas of need, so they will address issues that exist now.

Hon. J. van Dongen: There have been comments about a switch in the system over time, where we've removed LPNs, for example. Is there a bigger priority to replace LPNs than, say, the nurses?

Hon. G. Campbell: John, I think it's fair to say that those positions are all in demand. British Columbia is far behind other provincial jurisdictions in terms of the support that we provide to our nurses. There are some historical reasons for that. There were some deliberate public policy decisions made with regard to that.

We are substantially behind, like about 1/6 of the normal component that LPNs, supporting nurses.... There's sort of a ladder of support. There are care aides, LPNs, nurses. All of them have an important role to play, and frankly, all of them are in short supply right now in the health care system. It gets more difficult farther away from the centres. Rural areas have substantial difficulties with regard to all three positions as well.

Hon. S. Bond: If I might, Premier. Part of our strategy has been and will be to continue to look at all of those. As the Premier rightly points out, we're able to ladder up in those positions, but there are needs in all of them. We were trying to be very strategic and added 50 care aide positions as well. So we were trying to address the issues across the spectrum.

Hon. G. Campbell: Graham.

Hon. G. Bruce: Sindi, in regards to the foreign-educated nurses that you're going after in the specialty training, you mentioned a number of approximately 90. That's a real critical area for us. What kind of impact does the 90 have?

Hon. S. Hawkins: That will be a significant impact. There is such a critical shortage. Getting back to Gary's question, he wanted to see what we could realistically target. That's what we think we can realistically target. We're putting our resources to what we can realistically target there, but 90 nurses in critical care will be, I think, a significant impact. That's 90 more than we have now. Those nurses work awfully hard — a lot of burnout, a lot of stress, a lot of overtime — so this will help them with relieving some of that.

Hon. G. Campbell: Gulzar.

Hon. G. Cheema: Mr. Premier, this is a major step forward. We've had this ongoing problem for the last number of years. There is one concern I have, and I did express it, dealing out of caucus committee also. These foreign-trained people who are already here should be given first preference, and it should be inclusive of all countries, because some of the countries' graduates are more aggressive and have formed some organizations. People who have been within the system for a long time are underemployed and may not know about this program. So I'm just requesting the minister to have a policy where we can give them information so they can apply, so they can access this program.

[11:20]

The second part of my question is to the Minister of Advanced Education. Who is going to be evaluating these underemployed foreign graduates? Which body is going to be making sure that their credentials are recognized and, if they need upgrading, how much upgrading they are going to be requiring so that we have quality care on a sustainable basis?

Hon. G. Campbell: Sindi.

Hon. S. Hawkins: Thanks.

The body that assesses competencies and licences is the [Registered Nurses Association of B.C.](#) So RNABC would be doing that.

Hon. G. Campbell: Do you want to add anything, Shirley? Okay.

I want to say thank you to both of the ministers and the ministry officials for doing this. This is a first step. The mention that Gary made is critical. I think people are tired of false announcements with regard to health care. This is all doable, achievable, and I think there's been great work done by all your staff to bring this forward. I want to say thanks for that.

I also want to just mention quickly here, with regard to this entire area of thinking in terms of a long-term strategy for health care, that when we had the annual Premiers' conference, there was no question that every Premier in every province faces this issue of how to plan properly over the long term. Every province requires nurses; every province requires LPNs. Every province requires educational programs that provide people with those alternatives. We are committed to moving forward in that regard. It's important. The determination and scope of practice for health care professionals is a huge issue across the country. We're going to work specifically on that initiative, which goes to some of the questions that you're asking, John.

We also have been very clear at the provincial level that we're going to work on pharmaceutical management. It's a major issue, and we think that by working in cooperation as provinces we can save a fortune in terms of duplication and triplication of management practices. It was nice to see that Mr. Rock discovered that as an issue he's going to bring up now. The important thing to remember is that we are responsible at the provincial level for providing these services. There are also a number of initiatives that will be undertaken with regard to continuing care.

The underlying critical issue that we have to deal with.... Again, I just met with Premier Doer from Manitoba, and one of the issues he raises is that as we talk about nurses coming to British Columbia from other provinces, we should remember that that creates problems in other provinces. So we are going to have to think of comprehensive human resource strategies that will move us forward. I think it's possible for us to do that, and what we want to do is make sure that we're attracting people to come to British Columbia and to Canada to provide health care for people. I think the leadership shown by Sindi and Shirley will be excellent models for us to take forward to

the Premiers' and the Health ministers conferences. I want to say thanks to both of you and to all of your staff people for that work and for putting that together.

The next item on the agenda is the process of deregulation. I should just note that we're now 50 minutes.... I don't want to say behind time. We've had 50 minutes more comprehensive discussion than we had thought we were going to. The next item for discussion is the process of deregulation.

Process on Deregulation

Hon. K. Falcon: Thank you, Premier.

It's my pleasure today to propose a plan to fulfil this government's commitment to undertake regulatory reform in an effort to free British Columbians, frankly, from the constraints of excessive regulation and excessive red tape. This commitment follows on one of our New Era commitments in which we committed to British Columbians that we would cut the regulatory burden by one-third in British Columbia within a three-year period. I think it's important for people to understand that red tape really represents a hidden tax. It is a hidden tax which dampens innovation, it is a hidden tax which restricts our competitiveness, and it is a hidden tax which impacts on our productivity.

In British Columbia what has happened over the years is that you have had essentially all these different ministries bringing forward what in isolation may seem like a heck of a good idea from a regulation point of view. But what happens is that as each ministry is introducing its respective great ideas in terms of regulation, there is a piling-on effect. So British Columbians, and particularly British Columbia small businesses, and businesses are impacted in a very, very substantive and negative way. It's probably not a great surprise that this represents the second largest issue as far as small and medium-sized businesses are concerned.

[11:25]

The first issue, of course, is taxation. Frankly, under the leadership of the Premier and the Finance minister I think we have taken giant steps as a government towards addressing some of the taxation issues. Today we are going to propose a process for dealing with the number two issue, and that is the whole regulatory issue.

The other thing I'd like to point out is that there has never been any sustained process within this government to actually look at our existing regulations and determine if they are still meeting what their original requirements were. We have regulations on the books today from the 1860s. It's important to understand that civil servants are only doing their job when they enforce those regulations. That's where you'll see many stories that will come out in the media that have you shaking your head as to how we can possibly be doing this as a government. Yet what the civil servants are doing is merely enforcing provisions that are on the books. So it is high time that we take a look at that regulatory structure and determine whether this is in fact helping British Columbia become competitive.

I'd like to remind everyone that the costs associated with the regulatory burden and red tape are extremely significant — difficult to measure, frankly, but very significant. Some recent efforts that have been undertaken to try and establish what compliance costs are associated with the regulatory burden are demonstrated in the slide in front of us.

Just two points that I'd like to make. One is that those numbers are in constant dollars, so they really do give you an example and an understanding of how the regulatory burden has grown. In the '87-88 period you're looking at almost \$3 billion in compliance costs here in British Columbia, and by '97-98 you're looking at almost \$5 billion in compliance costs. So these are very significant numbers, and they're certainly numbers that we need to take a hard look at.

The other thing to understand is the whole question of the magnitude of this problem. What we have to do is start the process of educating folks to understand that it is not simply the number of regulations that are the issue. What you need to understand is that from each of these regulations flow dozens, hundreds, sometimes thousands of regulatory requirements, and these requirements and compliance provisions can be extremely onerous.

As an example here I'm using the Workers Compensation Board. The Workers Compensation Board is only guided by nine regulations. To an outsider, frankly, that really doesn't sound too excessive. What is important to understand is that out of those nine regulations flow thousands and thousands of administrative requirements. Today I can tell you that we have no idea, actually, what that exact number is, because we've never taken the time to count, but we know it's anywhere from

a minimum of 6,000 to anywhere. It could be double or triple that.

It's important for us to grasp that essential concept. That really is at the root of the challenge we face as we undertake this process, because it will govern how we deal with it. How we deal with this problem makes it difficult when you're not entirely sure, even as a government, how large the problem really is. That's why today I will be bringing forward, for decision by cabinet, four specific areas.

The first is to approve the [definition of "regulation"](#) so that we're all clear on what it is we are trying to eliminate, modify or streamline. The second is to approve how we measure that regulatory burden. The third is to approve a policy which will guide all new regulations coming forward in the province of British Columbia. The final one is to approve a policy on how we deal with the existing thicket of regulations in this province.

So the first is approving a broad definition of "regulation." Our recommendation is that that definition include regulations, legislation, interpretive policy and how those policies and laws are enforced, which is a critical part of this. We also want to ensure that the definition of "regulation" includes the [reform of existing regulation and the cutting of red tape](#).

[11:30]

I just want to take a moment here to discuss red tape. We consider red tape to be those non-essential forms, licences and regulations that add to the cost of dealing with government. They would be anything that is obsolete, redundant, wasteful or confusing that diminishes our province's competitiveness and stands in the way of job creation or, quite simply, is wasting taxpayers' time and money.

I want to underscore this following point, though: we do not consider red tape to be those issues and those measures that are demonstrably effective in protecting the public, health or the environment, or in consumer protection. Those are issues that we think deserve particular protection, and they will be protected as we undergo this process.

[The measurement of regulatory burden](#) is the second issue. This, ladies and gentlemen, I think, is very, very critical to understand. Our staff and myself have looked at virtually every jurisdiction worldwide that has undertaken some form of regulatory reform. There's some lessons that we've drawn from that.

One is how you measure regulation. Many jurisdictions will count the number of regulatory titles, and then at the end of some prescribed period of time, three or four years, they say: "We started with 100 and now we have 70. We've reduced 30 titles." But on further examination, what you see happening in those jurisdictions is... What they will do is take, say, four regulations, merge three of them into one and say they've reduced regulations by three when in fact nothing has changed in terms of the regulatory burden. All that has happened is that you've merged regulations.

So then other jurisdictions and politicians that were frustrated with being defeated by this approach said: "Maybe what we can do, then, is count the number of pages. Surely if we count the number of pages of regulation, then we will be able to measure how we have done in terms of progress in reducing the paper burden." But then what happens — you know, some civil servants in some of these jurisdictions are very shrewd — is that you have things like a smaller font being used so that the paper burden miraculously reduces, or you have regulations being put onto the Internet, where it's much more difficult to count pages, etc. So that creates some problems.

What I am recommending we do in British Columbia is something that has not been done before. That is, that we undertake a count to include not just regulations but the administrative requirements that flow from those regulations. That count, which would be undertaken by each ministry, would establish a baseline where we could show not only ourselves but British Columbians, first of all, how big a problem it is we're dealing with and, more importantly, a transparent, honest process on whether we in fact get to where we need to go in terms of reducing the regulatory burden by a third.

This count requires some effort, but it is something that my staff has assured me is very doable. As such, we will be asking ministries to provide that count within 45 days. That would be the end of September. I think it's important to recognize this: by undertaking this approach, British Columbia will be establishing itself very clearly as a North American leader in coming to grips with this problem and, frankly, a world leader. I'm unaware of any other jurisdiction that has tackled the

measurement question of the regulatory burden with this approach.

So I think it will be a very meaningful measure. It'll be meaningful for British Columbians, because it will allow British Columbians to see where we started, where we're going and whether in fact we get to where it is we have committed to go.

Getting there also requires policies to be in place to [control new regulations](#) coming forward. In that regard, one of the early things that I will recommend is that we [repeal the Regulatory Impact Statement Act](#), which was passed by the previous government in 1998. I won't get into a lot of detail about it, except to say that we don't need an act to cut red tape, because quite frankly, we have the political will within our government and within our caucus and cabinet to do that.

We will ensure that all new regulations coming forward in British Columbia meet a new set of criteria. What we will achieve by instituting this set of criteria is a philosophical shift in government, a philosophical shift that will focus on the results we're trying to achieve and not on a very process-driven, prescriptive approach, which was the highlight, certainly, and the hallmark of the previous government. The criteria will apply to regulations governing both the private and public sectors. Public sector regulations are for things like universities, health care, hospitals, etc. Private sector regulations are, for example, for the forest industry — my colleague next to me.

[11:35]

So that policy to control new regulation will be reviewed for compliance with the new policy. It's very important. In jurisdictions where regulatory reform has succeeded, there is a very stringent political oversight. That's why all new policies will not only pass through my desk but will also go before our government caucus committees and cabinet to ensure that those policies are going to meet the standards and the filters that we put into place to ensure that they're consistent with the competitive economy that we're trying to create in British Columbia.

I am also going to be recommending that as a cabinet we consider a moratorium on all new regulations coming forward that would impose a significant cost or a significant compliance burden here in British Columbia.

The criteria that will govern these new policies and new regulations will be the following. The first is that regulations in this province will be results-based, where we are focusing on the outcome. And wherever possible we will use incentives or market incentives to achieve those outcomes.

Second is that wherever there is a significant cost or a significant compliance burden, we will require a vigorous cost-benefit analysis to ensure that the benefits of the proposed regulation outweigh the costs. That is very, very important as a guiding principle to ensure that we're moving in the right direction.

Third is that regulations must be harmonized with other jurisdictions. What you have taking place now are different levels of government — local, federal and provincial — all regulating the same thing, often at cross-purposes with varying levels of regulation. We want to ensure that in this province we work with other levels of government to ensure that regulations are harmonized and to make sure that we avoid duplication, so that we're not putting individuals and business folks through a process that is absolutely unnecessary.

Fourth is a two-for-one replacement principle. This principle would in fact impact on regulatory requirements, those thousands of requirements that are out there. What it would say is that from this point forward, any time an agency, board or Crown corporation brings forward a new administrative requirement, they must kill two existing requirements. We believe that this will begin the process of enforcing a discipline on us as government, so that we're thinking about what we're doing prior to doing it.

Fifth is a reverse-onus provision. A reverse-onus provision says that the regulator — i.e., government — has to justify the regulation, not the other way around. So we need to move away from imposing a regulation and then having those poor folks who are impacted by it try to defend why they shouldn't have that regulation imposed on them.

Sixth, and very important, is a sunset provision. All new regulations coming forward in this province will have a sunset provision, meaning that after a certain prescribed period of time, those regulations will expire. We will work on that time line in a future cabinet meeting, but it would probably be a period of some years. That regulation would automatically expire and be up for

review. That review would then look at that regulation and ask: is it meeting its original purpose, and is it consistent with the kind of competitive economy that we're trying to create in British Columbia? If it isn't, it'll be gone. If it is, it can be extended.

Seventh is transparency and plain language — transparency in that affected groups that are going to be impacted by a proposed regulation will have an opportunity to come forward and have their say. Plain language is important, because we need to start writing regulations in a manner that people can understand them. I think that's one of the least duties that we owe British Columbians so that they can understand what is impacting on them.

The eighth point is a competitive analysis. When we're bringing forward regulations, we must do so through the lens of competitive analysis so that we can ensure that that regulation is consistent with the competitive economy that we're creating in British Columbia — that it is not inconsistent with the goals of a competitive economy.

The final provision there is one of timeliness. Timeliness is important. It ought to be a principle of this government that the public is entitled to a prompt response when they're dealing with government. Frankly, most of the small business folks that I talk to would rather have a "no" answer in 30 days than have an unknown answer in two years, which is often the case. That is something that will be a guiding policy for us as a government.

[11:40]

The next point is how we deal with what I call the existing thicket of regulations. Frankly, that's what we're dealing with. To undertake this is quite a challenge, because what I'm going to recommend is that we [review all regulation](#). But in undertaking that review, we have to recognize that if you try to take a broad-based, scattershot approach to dealing with the existing regulatory burden, you will be buried by the sheer scope of what you're trying to achieve. By necessity, we need to establish priorities, and we need to establish benchmarks and timelines to ensure that we measure our success and our progress.

That means that in establishing priorities, I'm going to be recommending that we look at those ministries and those areas within ministries that impact most directly on competitiveness. We have made it a key part of our government's commitment that we want this economy to become a leader again. That means that when we go through this process, the initial areas that we'll be looking at are those ministries and those parts of ministries that impact on competitiveness.

That does not mean, of course, that those of my colleagues that may be in ministries that are not directly economic-related are given a pass. We recognize that all of us need to meet our commitment, and all of us will be working on regulatory plans to meet that one-third reduction commitment. In what I call the social ministries, two guiding objectives will be used. Of course, one will be results-based, where we want to focus on outcomes, and the second will be the guiding principle of personal choice and personal responsibility as guiding measurements to be used in those ministries.

The process of dealing with the existing regulation means that we need to get some input that will have an impact. I want to just take a moment here and discuss this.

I believe that we have some of the finest civil servants in the country working in British Columbia. I can tell you that many of them have laboured knowingly under a regulatory regime that has been very, very difficult for them as professional civil servants to operate under. That is why I am confident that we will get many good recommendations coming forward from the respective ministries, from our professional public servants.

In addition to those recommendations, we also need to hear from the folks that are impacted directly by regulation. That is why, as we undertake this approach, I will be setting up a process to ensure that we hear some of the voices of those that are impacted directly by regulation. There will be many avenues in which folks can bring forward their recommendations to us. Minister Santori has announced the waste-buster website, which will be a tremendous opportunity for the public to come forward with suggestions of their own.

We have got a huge number of resources available in our private members, who are very much tied into their local business and small business communities and understand very clearly what some of these issues are. We will have a business advisory group, which I will discuss in a moment, that will give us the impact and some of the problems that they're dealing with from a business and a competitive point of view.

I also want to state that we as a government have taken action following up on the Premier's mandate letter. The Premier sent a letter to all of us here in cabinet asking us to identify early opportunities to deal with some of these issues. I followed up on the Premier's letter with a letter to all of my colleagues here asking for those early opportunities within 30 days. That deadline was two days ago, and I'm pleased to say, Premier, that at this point I believe I have received most, if not all, of those submissions from my colleagues. I want to thank you for that. I will go through those suggestions that were brought forward, and we will discuss those at a future cabinet meeting and GCCs. So that process is already underway, but we need to move on that process and move aggressively.

[11:45]

The structure — just to continue on in dealing with existing regulations — is that I will be reconstituting a business task force, which will be called the red-tape reduction task force. I think that more correctly describes what we're trying to achieve here, which is actually reducing some of the red tape. That red-tape reduction task force, to be chaired by myself and announced in September, will be an opportunity for different sectors to bring forward recommendations to the task force. For example, mining or forestry or whatever sector is involved can bring forward recommendations to that task force, and then I can share those recommendations with my colleagues in the respective ministries.

The important thing to understand is that the message I will be directing to different sectors and different business groups, etc., is that they need to think really hard about what it is they're bringing forward. What I want to see is a very crystallized vision of which regulations are causing them the most problems. That means that they ought to prioritize those submissions. And, as a final point that I think is very important, they need to offer us alternatives. So it's not just an opportunity to have a session where you complain about regulations. In fact, it's where you come to us and say, "Here are some alternatives we can recommend," where you can achieve your goals that evidently those regulations were trying to achieve in a manner that is consistent with the competitive economy we're trying to create.

When that information comes through to the red-tape reduction task force, we will work to prioritize those submissions consistent with our competitive analysis lens. Then we will take those submissions, and I will bring them to the ministries who will be working on their red-tape reduction plans. I hope that through this cooperative effort, we will be able to assist the ministries. As they come forward with their suggestions for reducing the regulatory burden, they can also look at the suggestions from those groups that are impacted directly by those regulations and blend that towards coming forward with a regulatory reduction plan from each ministry that I think is absolutely consistent with where we're trying to go.

That means, to provide a very brief overview, that we will undertake a comprehensive count that will establish British Columbia as a leader. Following that count, I will then forward a letter to my colleagues here that will go into some detail in terms of establishing the guidelines and reviewing the policy, etc., so that we're all clear on what it is we're trying to achieve. The letter will make it clear that we want to work together in a cooperative effort to make sure that I get the information to you so that it's helpful and timely and so that you can use that as you prepare your reduction plans.

Then what I will do, again working in cooperation with my colleagues, is make sure that we implement a benchmarking system and a time frame system so we can all measure our progress. I can tell you this much: if you just say one-third, and you don't try and measure it or establish benchmarks, you're not going to get there at the end of the day. So that is going to be a very, very important part of how we achieve this goal.

In summary:

1. We approve a broad definition of regulation that includes legislation, regulations and administrative requirements that flow.
2. We approve the measurement of the regulatory burden, which will establish British Columbia as a leader in North America.
3. We approve policies that will govern new regulations coming forward in this province, to ensure that we bring about a philosophical shift in government.
4. We approve policies to deal with the existing thicket of regulations so that we can make sure we get to the goals that we need to get to.

I believe that our government, if we move forward on these points, will fulfil our commitment and implement a plan and a process that I believe will get us to where we need to go. Frankly, just to summarize very briefly, Premier, I think that if we are able to minimize

unnecessary and undue irritation and intervention in people's lives, we will really help kick-start this economy and follow up on some of the bold decisions we've already taken on the tax front and once again make British Columbia a leader in this country.

Hon. G. Campbell: Thanks, Kevin.

I just wanted to say a couple of things at the outset here. This is obviously one of the core initiatives that the government has undertaken to take and that we told British Columbians we'd take. The Minister of State for Deregulation's task is to make sure we're all remembering that it's one of our core commitments. I know that in your ministries all of you are working to make sure this happens.

There is a whole series of regulations which Kevin touched on briefly that deal with a lot of the areas that we have spent most of our time on — health care and education, etc. — and that really constrain the professionals from doing the work that they need to do.

I can't forget the story of a nurse who was at a health forum that Judith Reid hosted in Nanaimo. She was describing how ridiculously her time was taken up with a regulation that no one in the room could figure out and that she certainly didn't understand. It was just there, consuming her time, her effort and her energy as she went through her day. So there's a whole series of initiatives that we have to undertake with regard to this.

[11:50]

As ministers, all of you are asked to assist Kevin with regard to this. All of the government caucus committees have been instructed that they are to look at regulation with a very jaundiced eye as we move forward. It is a hidden cost, but I think it's also important to note what this is not. This does not prohibit us from pursuing broader social objectives. It does not prohibit us, for example, from introducing the new lobbyist legislation that we've been doing. It doesn't prohibit us from making sure that we're getting the results that we demand publicly. I think it is a discipline that requires us to try and do that in the most cost-effective and thoughtful way possible.

Kevin, I think this is a very comprehensive report, and I appreciate it in terms of developing the process, which will be ongoing for some time. There's one change that I would suggest. It's just basically an edit change. It's on the last page of the report, page 13: "[Approve policy for existing regulation](#)." I believe that should read: "Upon receiving direction from the cabinet, ministers will prepare plans." I think it's important to recognize that that's where the engine for this change comes from — from the cabinet.

The next questions or comments are from Judith.

Hon. J. Reid: I just have one concern about approving measurement of the regulatory burden. You said that this is something new, that hasn't been done in other jurisdictions. I'm wondering whether we couldn't have you tracking a couple of ministries — maybe two or three — to see how workable this is and to re-examine it after 15 or 20 days. We don't want to put a whole lot of effort into something where you have to say: "We've had problems with that." So in our approval, could we ask that there be a check partway through to make sure that this is actually achieving the objective in a fair way?

Hon. K. Falcon: Actually, I would disagree with that, minister. The reason is that I think we need to be very clear about this. This does not impose an undue hardship. Probably each of your ministries will dedicate a staff person to spend a month going through and counting the requirements. So there is some effort; there is no question about it. But I want to be really clear about why we're doing this: we're doing it because we as a government need to get a handle on just how big this problem really is.

Frankly, until you see firsthand — and Minister de Jong would certainly be able to comment on this — the scope and the breadth of regulations and requirements that have been imposed on British Columbians.... In many cases it's quite shocking. So I think the easy approach would have been to take the counting titles or to do the paperwork approach — the number of pages. I can guarantee you that in three years I would have been able to come back and say, "Oh yeah, we achieved our one-third reduction," but British Columbians out there would have been saying: "You know what? I don't notice anything different."

So I think this is absolutely critical. I think we need to dedicate the resources to do it, because it's important for us to establish that we're going to do this honestly and transparently.

Hon. G. Campbell: I think there's another issue, though, that the minister is raising, and it's important. It's a role that I think you can play as minister of state. If ministries are having difficulties putting this inventory of regulations and administrative requirements together, I think they should be talking immediately to the minister of state and saying: "We're having difficulty with this." The task of the minister of state is to come and help the ministry develop that inventory in a way that is open and transparent. I don't think we should have any illusions that this is simple. I think it is difficult.

The reason we've focused energy, political accountability and staff resources on it in the Ministry of State for Deregulation is that we know it's difficult. The important thing is that when you do start to run into a problem, immediately come to the minister of state and say: "I'm having difficulties. Let's work on this together and see if we can come up with a resolution."

Any further questions? We have a number of recommendations here under "Approve broad definition of regulation," "Approve measurement of regulatory burden," "Approve policy for new regulation," and "Approve policy for existing regulation" — with that one change. They are on pages 11, 12 and 13. Seeing no further hands, we will move forward, and those are approved by cabinet.

[11:55]

Orders-in-Council

Hon. G. Campbell: The next item on the agenda is, briefly, two orders-in-council. One authorizes the Minister of Finance to borrow — I've never read this number before — \$5.681 billion for the efficient management of the consolidated revenue fund, investing under section 40 of the Financial Administration Act and/or lending to government bodies. This is consistent with the borrowing requirements as tabled in the 2001-02 fiscal update.

Hon. G. Plant: In fact, it's the exact number.

Hon. G. Campbell: Exactly, but I've never read that number before. It's a high number. The second order-in-council ensures that all previous references to the Deputy Minister of Environment, Lands and Parks in the operational planning regulation in the woodlot licence forest management regulations now reference the Deputy Minister of Water, Land and Air Protection. As a result, government will avoid the possibility of any decisions that are made under these sections of the regulations being declared legally invalid due to the reference to the wrong deputy minister.

Report on Annual Premiers' Conference

Hon. G. Campbell: I will summarize quickly for you the first ministers' meeting, because I think it's important to know that one of the changes that will take place as a result of our meeting is that we intend to follow these initiatives up. The Prime Minister will be receiving a letter from me shortly, outlining the four cornerstones of sustainable and affordable health care in Canada.

It deals with removing the cap on equalization payments, restoring the federal-provincial partnership in health care.... Again, we had Mr. Rock making announcements the other day. I think it is important for us to recognize that all the Premiers have said that health care is a provincial responsibility. Certainly, if Mr. Rock would like to take on the entire cost of Pharmacare, we'd be interested in when he would like to do that. I'm sure we could arrange that for him as quickly as possible.

There are a number of initiatives we have to undertake with regard to health care. Our Health minister will be going to the meeting of the provincial health ministers in Newfoundland and will be taking forward our position with regard to a number of items.

There is a third thing that's critical in terms of developing a long-term, sustainable and affordable health care system in Canada. This was an undertaking that was made in September 2000 at the first ministers' conference. There was a commitment made that a dispute-resolution mechanism would be developed under the Canada Health Act. It is a critical part of how we can move to sustainable delivery of health care.

We recognize there is a partnership between the federal and the provincial governments, but we do not believe that the partnership should be unilateral. In fact, the federal government doesn't even have constitutional responsibility for health care. There was an undertaking that the dispute resolution mechanism would be there.

That will allow provinces to be more flexible in their responses in different parts of the country. We can learn from Prince Edward Island how they deal with asthma patients; we can learn from Saskatchewan how they're dealing with another issue. It is critical, and we'll be asking the Prime Minister to deliver on that commitment to Canadians as soon as possible.

Finally, with regard to the four cornerstones, we've committed to the provinces pooling their management problems and solutions so we can learn from one another in a consistent and regularized and, hopefully, thoughtful way. That doesn't mean that every province will be making the same decisions as every other province. What it does mean is that where best practices are developed, where management techniques are developed that seem to be delivering the results we want, we will hear about them as quickly as possible in our provinces so that we can apply them where it makes some sense.

There was also a commitment in September 2000 that the federal government would be undertaking additional efforts in our aboriginal communities. The federal government is failing our aboriginal communities on reserves when it comes to health care. There is just no question about it. We've asked for an update on this from the federal government, and we'll be moving forward with this.

There is an area where the government of Canada can also help, and that's in prevention and treatment for FAS children. There is a lack of understanding even of the extent of the problem. It is an area where all the provinces feel it's possible for the federal government to develop the research and develop the understanding so we can then act cooperatively as provinces as we deal with this. That's also a critical undertaking.

There will be further developments with regard to the child protection initiative. This is an initiative where the provinces have come together and said that it's critical for us to act and to learn from one another. As you've probably heard before, each of our provincial legislatures has agreed to pass reciprocal family maintenance enforcement legislation by next year, when we meet in Nova Scotia. That means someone will not be able to live in Saskatchewan and avoid the responsibilities to a child in British Columbia or vice versa.

[12:00]

We also are going to urge the federal government to act on the Internet luring of children. It is a real problem, but it's clearly a problem that has to be dealt with by the federal jurisdiction. We're going to ask for that.

We have also undertaken to act in cooperation with the provinces. Ontario has a sex offender registry already. Alberta is preparing one; we're preparing one. We're going to try and be as comprehensive in dealing with those as we can at the provincial level, but our goal is to bring the federal government in and have one based on the CPIC data process that they have at the federal ministry for that. I think it is important that we recognize that those things can be done, will be done and are being done.

There is going to be a report back from the deputy ministers on post-secondary education and training. There are major initiatives of concern where we're falling behind in infrastructure, particularly drinking water and transportation infrastructure. Premiers were very clear that, while they support the infrastructure program, they want to be sure that provinces have the opportunity to focus those dollars on the areas where they have their top priorities. The infrastructure program that we would like to develop is one that provides for more flexibility but focuses on environmental and transportation improvements, both of which we've been falling behind on.

Finally, there was a commitment that we were going to work with the federal government as they worked to try and eliminate international subsidies to agriculture products. That has an impact on us in British Columbia. We often forget that, but it has a huge impact on British Columbia farmers. It has a larger impact in Saskatchewan and Manitoba, and Premier Calvert will be reporting back by the end of September with regard to that.

The whole thrust of what we're trying to do is build a solid policy framework that we can move together on. I think the provinces have taken some major steps to say that we can take responsibility for the fundamental services we have to provide people. We will take those, and we'll take them as provinces. I think that by working on an interprovincial basis, we'll move forward in a far more progressive and, hopefully, productive manner.

It was a worthwhile meeting. I think we are going to take some significant steps as we go through, and we'll be following up and reporting back to cabinet on a regular basis on the results of those endeavours.

We're done. Thank you very much. We're adjourned.

The cabinet adjourned at 12:02 p.m.

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