



TRANSCRIPT OF THE OPEN CABINET MEETING

January 16, 2002

**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
Negotiations
Minister of Children and Family Development
Minister of State for Early Childhood Development
Minister of Community, Aboriginal and Women's Services
Minister of State for Community Charter
Minister of State for Women's Equality
Minister of Competition, Science and Enterprise
Minister of State for Deregulation
Minister of Energy and Mines
Minister of Finance
Minister of Forests
Minister of Health Planning
Minister of Health Services
Minister of State for Mental Health
Minister of State for Intermediate, Long Term and Home Care
Minister of Human Resources
Minister of Management Services
Minister of Provincial Revenue
Minister of Public Safety and Solicitor General
Minister of Skills Development and Labour
Minister of Sustainable Resource Management
Minister of Transportation
Minister of Water, Land and Air Protection

Hon. Gordon Campbell
Hon. Greg Halsey-Brandt
Hon. Christy Clark
Hon. Shirley Bond
Hon. John van Dongen
Hon. Geoff Plant

Hob. Gordon Hogg
Hon. Linda Reid
Hon. George Abbott
Hon. Ted Nebbeling
Hon. Lynn Stephens
Hon. Rick Thorpe
Hon. Kevin Falcon
Hon. Richard Neufeld
Hon. Gary Collins
Hon. Michael de Jong
Hon. Sindi Hawkins
Hon. Colin Hansen
Hon. Gulzar S. Cheema
Hon. Katherine Whittred
Hon. Murray Coell
Hon. Sandy Santori
Hon. Bill Barisoff
Hon. Rich Coleman
Hon. Graham P. Bruce
Hon. Stan Hagen
Hon. Judith Reid
Hon. Joyce Murray

WEDNESDAY, JANUARY 16, 2002

The cabinet met at 8:59 a.m PST.

Hon. G. Campbell: I want to welcome you all to this second open cabinet meeting that we've had outside of Victoria. As you know, the government for British Columbia is to serve all the people of British Columbia, and we thought it was important to have the opportunity for people in different regions of the province to be with us and to participate with us in cabinet discussions to outline some of the problems we often face as well as some of the solutions we're looking for.

[9:00]

It's great to be back in the Peace River region. It's great to be back in the energetic city of Fort St. John. I should say that this morning we had a very warm reception from the local government leaders across the Peace. Last night we had a reception from some other folks in the Peace, showing that it's an active and vital region of the province. I want to say that I appreciated all of those participants.

Secondly, I just want to say that one of the reasons we decided to have an open cabinet meeting here.... To my knowledge, this is the first time we've had a cabinet meeting in the Peace River country in the province of British Columbia. The Peace River is an important powerhouse in the future of the province. It's the centre of our oil and gas industry. It makes an enormous contribution to the province - \$4.6 billion in production in oil and gas in the year 2000. That's five times more than it was in 1990.

As you know, the Minister of Energy and Mines, Richard Neufeld, who is the MLA for Peace River North, has outlined a bold and aggressive plan for British Columbia to take full advantage of our energy opportunities - not just in oil and gas, in coalbed methane and hydro power across this province - because we think it's an enormous competitive advantage. That competitive advantage is reflected in the will, the strength, the entrepreneurial spirit of the people here in the Peace River, and we're very pleased to be here in the Peace to be able to talk with many of your leaders and to meet with many of the people that are here in the Peace.

A number of the cabinet will be going up to the Ladyfern find later this afternoon. The Ladyfern find is the largest natural gas discovery in the last 15 years in the country. The great thing about it is that it's just the first. We're going to find lots more Ladyferns as we move forward, encourage exploration, encourage private sector investment in the oil and gas industry in the province. Dick Neufeld is responsible for leading that agenda, and he's done a very good job to date.

One of the amazing things when you look at what we have, the resource that we have in the province.... For example, coalbed methane is in every part of the province. There is not a region of the province that isn't touched by coalbed methane. We know that right here, in the basin here, we have 17 percent of the reserves but only 6 percent of the wells. We want to double the number of wells in the next number of years because we know that means investment, we know it means jobs, and we know it means economic security for people.

I should tell you that I haven't been to the Peace over the last ten years where someone hasn't mentioned Fair Share - a fair share of what those natural resources are coming back to this community for roads, for hospitals, for schools. We are at work now on a community charter that will, hopefully, be able to provide regions all over the province, including the Peace, with the share they need so that they can build the kind of future they want.

We are very excited about the opportunities that are presented here. The oil and gas industry itself in this province generated \$1.9 billion into provincial coffers last year. What do those billions of dollars mean? It means 12 out of 20 ministries in government are funded by the oil and gas industry. That includes Skills Development and Labour; it includes Public Safety and Solicitor General; it includes Water, Land and Air Protection. And nine other ministries are supported by the revenues from oil and gas alone in this province. It's a huge opportunity for us, and we're very pleased as a cabinet to be here to meet with you to learn more about that industry and to learn more about the other industries in the Peace - the forestry industry and the future it has, the agriculture industry and the future it has.

I just want to say that I'm very pleased to be here today and to outline for you some of the items on the agenda that we will be covering today. We have a number of decisions that we're going to have to make. We're going to be talking about the oriented strand board mill here in Fort St. John. We're going to be talking about the coalbed methane royalty regime. We're going to look at the agricultural Land Reserve Commission; the environmental tobacco smoke regulations; the elimination of business subsidies; the Olympic bid for Vancouver, British Columbia and Canada for the Winter Olympics in 2010; first nations consultation and economic development agreements, which are a critical part of our oil and gas future in British Columbia; and the gaming policy that we are going to be dealing with in the province.

Let me just say that at 1 o'clock today we'll be meeting with a number of the leaders of the first nations here, and they will be signing economic development agreements that will allow us to move forward. Dick Neufeld will be telling us more about that later today.

[9:05]

With regard to first nations, let me just say that yesterday I think I made some comments. You may or may not have heard them, but they led, I think, to some confusion about what's happening with the treaty referendum process. Let me be clear that the referendum process that we are outlining now.... There has been a report done by a legislative committee that will be submitted to the House. The cabinet will be reviewing that report and making recommendations to the House as well.

The referendum will be binding on the government. It's important to note that. We want to make sure that the right tool to bind the government is what is currently called the Referendum Act in British Columbia. The Attorney General has concerns that that may not be the right tool for us to use.

I want to apologize to anyone for any confusion that I created yesterday. I certainly didn't want to do that or intend to do that. I want to be clear: the government will be bound by the referendum results. What we have to do is make sure that the referendum results...that we are acting within the Canadian constitution. We intend to do that.

The Attorney General's ministry is looking at the current Referendum Act in the province of British Columbia to see if that allows us to act in the appropriate way or whether or not the way to bind the government will be through another place of legislation. I'd just like the Attorney General to clear up that point, and then we will move on with the agenda. Geoff.

Hon. G. Plant: Thanks, Premier. I really just want to echo what you've said and to tell you that that is in fact the context within which we're working. We are studying the legal mechanism within which we can give effect to our commitment to hold a one-time provincewide referendum, bearing in mind your repeated commitment that the referendum will be binding. We have not made decisions yet about what that mechanism will be.

I've been pretty clear in my statements since the legislative committee came down that those are issues that we're looking at. I've invited people to contribute to that discussion, and I've asked my officials to help make sure that we do the referendum in a way that is consistent with our obligations and doesn't invite unnecessary litigation.

We have made the decision to do it as a mail-in ballot. That in itself raises practical questions about how we should do that. Those decisions are being worked on.

As you said, in the next few weeks I expect to come to cabinet with some recommendations that we then, as government, will take to the Legislature as we move forward with our commitment to hold the referendum.

Hon. G. Campbell: Okay. Thanks. Any questions?

Okay. The first item on the agenda is for information. Stan Hagen and Rick Thorpe have been working on the oriented strand board mill certification. Stan.

For Information: Oriented Strand Board Mill Certification

Hon. S. Hagen: Thank you, Premier, and good morning. It's great to be back in the northeast part of the province again. As you said, this is a very exciting part of the province. It provides a lot of wealth for the rest of the province and for a lot of government programs.

It's a pleasure for me this morning - on behalf of the Minister of Competition, Science and Enterprise, Rick Thorpe, and the Minister of Energy and Mines, Richard Neufeld - to announce that we have issued a project approval certificate under the Environmental Assessment Act for the construction of a new oriented strand board mill here in Fort St. John. The mill will use aspen and cottonwood to produce a versatile, high-quality construction material.

A comprehensive and efficient review examined all environmental, economic, social, health and safety concerns. Minister Thorpe and I are satisfied that all issues raised have been clearly and thoroughly addressed. The project can proceed as soon as the proponent corporation has obtained all of the statutory permits and licences, which I think mostly are local building permits and that sort of thing.

The mill represents an important investment for the Fort St. John area. It will bring over \$140 million in capital investment to the city and provide about 200 construction jobs. In addition, the plant, once operational, will provide about 116 full-time jobs. That's 182 in the mill and 334 in the woodland operations.

On behalf of my colleagues, I'm very pleased to make an announcement that is an excellent example of diversifying the economy here in this area. Also, it's encouraging value-added industries for the province. I think the people here and throughout the province should be very pleased. Thank you.

Hon. G. Campbell: Any questions? Rick, do you have anything to say?

Hon. R. Thorpe: No, I'll let the minister handle it. Thank you.

[9:10]

Hon. G. Campbell: Okay. Thank you very much.

The next item on the agenda is the coalbed methane royalty regime. Dick.

For Decision: Coalbed Methane Royalty Regime

Hon. R. Neufeld: Thank you, Premier.

Once again, welcome to Fort St. John, to the Peace-Liard region - the region I'm proud to represent and that I've been lucky enough to represent for the last ten years. I'm glad that our second open cabinet meeting ever held in the history of British Columbia is being held in the energetic city of Fort St. John and in the Peace.

We want to show you firsthand today what the oil and gas industry means to the province and to the people from the Peace and Liard regions. As the Premier said earlier, some of us will be taking a tour into the Ladyfern area. Just a quick note - and I know I've mentioned it before, but it's always good to put it back in everybody's memory bank - that one of the Ladyfern wells produces about 100 million cubic feet of natural gas a day. That is a world-class discovery and world-class production.

There are many other wells in this location that flow at about 60 million cubic feet per day. The whole area now produces over one-quarter of the provincial output just from the Ladyfern area. There are lots of other elephants, as the industry calls them, out there to be found, and we're hopeful that they'll find a few more. As the government, our responsibility is to realize B.C.'s resource potential and the economic benefits and prosperity that this can bring to all British Columbians.

Over the next three years the Ministry of Energy and Mines has a number of priorities, but our number one priority is to make sure industry knows that B.C. is now open for responsible business. No doubt the Premier is leading British Columbia into a new era and an exciting one, I might add - one that will see a thriving private sector economy that creates high-paying job opportunities and prosperity for all British Columbians.

The new era of direction for the Ministry of Energy and Mines. The ministry aims to establish British Columbia as a leading investment location in North America for oil and gas energy and mineral exploration and development. We know that our conventional oil and gas resources are providing economic prosperity for the province, but what about our untapped, undeveloped resources like coalbed methane? Across the province experts tell us that they estimate about 90 trillion cubic feet of coalbed methane is waiting to be developed. It's interchangeable with natural gas; it can go into the same system. All you have to do is put it under pressure to get it into the pipelines. It can be burnt at the burner tip.

The 90 trillion cubic feet are about 90 times our current annual conventional production per year. What will be recoverable remains to be seen. There are now six experimental projects underway: five here in the northeast between Tumbler Ridge and Monkman and one in the southeast near Fernie. Evaluation also continues on Vancouver Island, and industry has expressed interest in other basins across the province.

Today I will be asking cabinet for approval to amend the petroleum and natural gas royalty and freehold production tax regulation. I will also be informing you of some of the work we are doing on regulation for coalbed methane. Together these actions will ensure that this resource brings prosperity and makes British Columbia competitive with other provinces, encouraging the development of this resource.

Last October I spoke at a coalbed methane conference in Calgary - a large one - and I can tell you that the world's major energy companies are interested in British Columbia. They were there. I also visited Houston late last year, and the people there were very interested in what's happening in British Columbia. They're quite well aware in Houston of where Ladyfern is. It's interesting. You don't have to tell them what Ladyfern is when you go visit their offices; they know.

The potential benefits of developing this resource are immense. There will be employment and economic benefits for many areas of the province. Government will realize and collect provincial royalties which will support vital public services like health care and education. But we currently have some impediments. Our regulatory and fiscal regimes were not created to respond to the unique challenges of developing and commercially producing coalbed methane. Unlike conventional natural gas wells, coalbed methane wells normally produce very little gas in the early stages of production, have much lower peak production volumes, produce significant volumes of water that must be disposed of, and drilling into coals to bring the gas to the surface can be technically demanding.

[9:15]

One of our key priorities is to streamline regulation and implement an effective, industry-specific royalty structure to facilitate accelerated growth of the coalbed methane industry. Let me emphasize this government's commitment not to compromise our safety or environmental standards, but we know we can make the regulations fit the resource.

I should mention more complex issues, such as how to handle produced water and that regulations are subject to a comprehensive review by a multiministry task force right now. I expect a preliminary report sometime in early spring.

Today I seek your approval on the royalty structure. The new structure will address the challenges of developing coalbed methane and balance the needs of industry with those of government.

I am asking cabinet to approve four specific amendments to the petroleum and natural gas royalty for coalbed methane wells: (1) include produced water handling costs in the producer cost of service allowance to address the additional water management costs in coalbed methane production, (2) create a royalty bank to collect excess allowance to be used against future assessed coalbed methane royalties to address the lower initial volumes of gas production, (3) increase the marginal well adjustment factor threshold to 600,000 cubic feet per day from the present 180,000 cubic feet per day to address the lower production rates for coalbed methane and (4) provide a \$50,000 royalty credit for coalbed methane wells drilled within the next two years.

Together these amendments will address the technically and financially challenging drilling and production of coalbed methane. If you approve these amendments, British Columbia will lead the nation on coalbed methane policy. All eyes will be on British Columbia. If we can make this venture viable, British Columbia will have the expertise and experience to make coalbed methane more economically viable.

The amendments demonstrate government's commitment to developing new energy resources and to provide new economic opportunities all across British Columbia. As the Premier said earlier, we have vast reserves of coal in the province of British Columbia, so there is coalbed methane across the whole province.

With the new royalty structure and regulations, at least ten coalbed methane projects are likely to be commercially developed over the next ten years. That's a pretty big target, but we think, working together with the regulations and with this royalty rate structure, we can actually do that. As government we have committed to building a competitive business climate that offers new opportunities for investment, and this new royalty structure gives the British Columbia oil and gas sector the competitive edge to lead the Canadian coalbed methane industry.

I look forward to realizing the potential of our coalbed methane resources, so I look forward to your approval for those four changes. You should know that this has all been presented to Treasury Board. They have reviewed it and find everything is fine within those recommendations.

Hon. G. Campbell: Thank you.

Gary.

Hon. G. Collins: Dick, I had a question for you on the threshold for marginal wells. The number currently is 180,000 cubic feet a day, and the threshold you are recommending is 600,000 cubic feet

a day. Why is it 600,000 and not 400,000 or 500,000 or 700,000 or something else?

Hon. R. Neufeld: The work that was done in determining on average.... We're not really sure, but on average what a field will produce with coalbed methane works out close to the 600,000. We wanted to stay under that threshold so that we have a royalty rate that's competitive for coalbed methane. Anything above that goes into a curve for the royalty rate structure, so they would see a higher royalty rate. What we wanted to do was keep the royalty rate down to encourage the investment.

Hon. G. Collins: Okay. Let's say you get a well, and it's producing a million cubic feet a day instead of 600,000. Why wouldn't we provide for a royalty at the normal scale for that well because it's producing so well? Is it because of the costs of actual startup?

Hon. R. Neufeld: That's part of it. I don't think.... At least, the information that's been given to me, Gary, is that there are no coalbed methane wells that will produce that kind of volume. That's why they chose the 600,000 cubic feet per day.

[9:20]

Hon. G. Collins: There's another provision here - one of the other four items that you've talked about. The last one is the \$50,000 royalty credit for methane wells drilled in the next two years. Has the Ministry of Competition, Science and Enterprise looked at that as far as the business subsidy lens as well?

Hon. R. Neufeld: To my knowledge, that's been passed through the process that it should have gone through to make sure it's not a subsidy. What they did was take a whole bunch of scenarios - I think about seven different options - and they tried to figure out what would be the best. This applies industrywide, so there's no subsidy to one over the other like the old process used to be: "Well, we'll take the one that's having the toughest time financially, and we'll give them a subsidy, and the other folks are okay because they're making a dollar." What we've said is that we'll put this over the whole system in coalbed methane so that everybody works under the same rules, and it doesn't fall into the subsidy category and actually brings us in line with Alberta, with our competitors across the border.

Just a little thing further to the 600,000 cubic feet per day, Gary. That is also consistent with Alberta's marginal rate. That will also encourage what they call tight gas. It's a technical term about gas that's hard to get at and takes some pretty good technology to drill for, but it can be produced. If we used the royalty rate that's in place now, it wouldn't be economic. This will encourage some of that tight gas exploration also.

Hon. G. Campbell: Mike.

Hon. M. de Jong: Dick, I'm content to support the recommendation. I just quickly wanted to ask you about something. You've been shepherding many of us through the patch for years now. The last time we were here, just under a year ago, one of the things we heard about - and it relates, perhaps, to your prediction about future expansion - was a skilled labour shortage. Is that going to represent an impediment to achieving the objective you've set here in this presentation?

Hon. R. Neufeld: Well, we have always experienced that problem in the northeast. In fact, we had that presented to us this morning - about the leakage to Alberta. That has been historic. We would like to increase the people that are trained to do this kind of work and keep more of it here. If we can do more work year-round, that encourages them to be here. We also have to set the stage for those skilled workers to want to live here, because if they're only going to be able to work for four months out of the year, very likely they won't live here. They will come from someplace else where they can actually come up here and work for awhile - and that's usually out of Alberta - and then go back to Alberta and work in part of southern Alberta for the rest of the year.

That's part of.... I'll bring it up. Thank you for saying it. We need some new infrastructure. We need some of our roads fixed up here, Mike. [Laughter.]

A Voice: What was that?

Hon. R. Neufeld: You'll notice, Premier, that even the people in the crowd understand that we need our infrastructure fixed up so that we can encourage people to bring their families here, live here year-round and contribute more to British Columbia.

Hon. G. Campbell: I should just tell you all that at the meeting today, I said to some folks that had driven in to Fort St. John: "The roads weren't very good today." They said: "No, the roads were

great." So I don't know, Dick. Keep pushing.

Any other questions? Judith and then Bill.

Hon. J. Reid: With your recommendations here today to address some of the problems.... I know that there's coalbed methane resources, say, on Vancouver Island. What are other significant hurdles with this? Is this just step one in order to be able to address some of the other hurdles and get the proper attention brought to investors that we are able to do business with them? What kind of timetable do we have for addressing other hurdles? Or are they underway, and it's just a matter of the process being in motion?

[9:25]

Hon. R. Neufeld: Well, it's a matter of the process being in motion. As I said earlier, some of the regulatory things around disposal of water - working with the ministries responsible for that - trying to develop a program for that and regulations for disposal of water.... Because you produce a lot of water to produce coalbed methane.... What you do is drill into the coal seams, pump the water out until the water quits coming, and then the gas will rise. Depending on where you are at and how much coalbed methane there is and what pressure it's under - usually not very much - you end up with a lot of water. Sometimes that water is good; sometimes it's not good. That's a problem.

To go to Vancouver Island, obviously, with a heavier population, there is probably a bit more work that has to be done on how we deal with water disposal. One other thing we're finding on Vancouver Island is that there are so many small parcels of land that are privately held that people who want to do the work will actually have to go in and talk to the owner of the land to get permission to drill. There are also a lot of owners who own the resource. That's another negotiation which has to be done privately - not by government, but privately - from the people who want to drill for coalbed methane.

It'll be a little bit more involved on Vancouver Island than it would be in the Kootenays or in the Peace, in the Tumbler Ridge area - those kinds of things. Most of that is Crown land, and that's a lot easier to deal with in cases like that. Vancouver Island poses some special issues that are going to take a little longer to deal with than it would maybe in some of the other parts of the province because of all the small parcels of land. When you drill into a small parcel of land, you think: "Okay, that goes all the way down." But it does take gas from someone else.

There have to be agreements made. I'll give you an example. Even in the Ladyfern area that I spoke about earlier and the Premier spoke about, there are different companies drilling in the same area. They're taking gas out of the same pool, because it's coming from all over. Between themselves, those companies, with the Oil and Gas Commission, have to agree on how much gas they're going to pull - how much they're going to take out of the area - with a whole bunch of criteria that I don't even want to get involved in. They make those agreements amongst themselves. That's kind of the same thing that's going to have to happen on Vancouver Island when you get a lot of landowners - some that own the resource and some that don't.

We've got a little more work to do on Vancouver Island to get it going. It's going to be a little bit more difficult.

Hon. G. Campbell: Bill and then Shirley.

Hon. B. Barisoff: Thank you, Premier. Richard, I know that in Washington State, coalbed methane gas has become a major play. I'm wondering whether these recommendations will put B.C. on a competitive playing field against places like Washington State.

Hon. R. Neufeld: They are supposed to, Bill. The people that work in the ministry, who have developed these recommendations, have visited a number of states where they produce a lot of coalbed methane. I think that in the U.S., about 2 percent of their total natural gas production is coalbed methane. They have some huge fields out there.

Our people have visited there, gone with industry - and in Alberta - to try and look at what processes we could use. We're in the ball game. In fact, we're a little better than in the ball game, because we want to get the investment here into British Columbia.

Hon. B. Barisoff: It's good to hear.

Hon. R. Neufeld: For you, that'll be good.

Hon. B. Barisoff: That's right; it will be good.

Hon. G. Campbell: Shirley.

Hon. S. Bond: Thank you, Premier. I just wanted to comment on Mike's question about skilled workers in this area and get a plug in for Northern Lights College. I've been incredibly impressed - and I'm going to spend part of the afternoon there - with their reaction and response to the need for skilled and trained workers in this particular area and the partnerships that they have created with industry in order to provide an increase in the number of skilled workers.

I know that last winter, two oil rig training sites were actually developed - one here at the Fort St. John campus. Training ran over 12 hours a day, and basically 100 people took advantage of that training and went directly into the job market - really fulfilling the mandate of community colleges in responding to their community's needs, particularly in resource-based communities.

Mike, we are working in post-secondary education to try to address those needs. Of course, the demand is always greater than the supply. I've been very impressed with the work that Northern Lights has done to try to begin to address those issues.

Hon. G. Campbell: Thanks, Shirley.

We have a decision request for four specific changes to the royalty regime for coalbed methane. No further concerns? Consider that approved, Dick, and thank you very much.

Hon. R. Neufeld: Thank you.

[9:30]

For Decision: Land Reserve Commission Implementation Plan

Hon. G. Campbell: The next item on the agenda is the Land Reserve Commission implementation plan. You'll recall that cabinet approved a number of strategic shifts with regard to the agricultural land reserve at a previous meeting, and Stan is going to report back on the implementation plan. Stan.

Hon. S. Hagen: Thanks again, Premier. I am pleased today to present the results of our core services review. We don't have to tell the residents of this area how important and significant the agricultural land reserve is. Approximately one-third of the provincial agricultural land reserve is located within this region. Therefore, I feel it is very appropriate that we are making this presentation here today.

As part of our commitment to change the way we do business, the Land Reserve Commission has been examined under the core services review process. It will also be reviewed as part of the administrative justice project that's underway. A key component of this review has been to ensure that our new-era commitment to make the Land Reserve Commission more regionally responsive to community needs is attained in a balanced and principled manner.

Today's presentation will show how the commission will implement this goal through restructuring, increased delegation to local government and deregulation. As the commission is responsible for both the agricultural land reserve and the forest land reserve, the commission will also work closely with the lead agencies for the working forest and the community charter initiatives.

The move toward increased local autonomy is reflected in the commission's proposal in a new way of doing business. In summary, the core services review determined that the forest land reserve should be phased out, while still recognizing the need to secure the forest land base. To this end, the development of the working forest initiative will satisfy this need. In the phase-out period, we will maintain the forest practices standards for private forest lands, which assist in protecting environmental values.

The core services review also determined that the agricultural land reserve serves a compelling public interest to protect the land base for agricultural activities. At the same time, government can carry out a program more efficiently and effectively by making a number of changes and significant shifts.

These changes include restructuring the commission, which is the decision-making body, and have it become more regionally responsive; pursuing a collaborative model, with local governments using delegation as a tool; and deregulating and streamlining permitted uses and processes. To meet our

government's commitments, particularly for the economy and communities dependent on our forests, two key strategic shifts are needed.

First, the forest land reserve regulatory system will cease to exist and will be redefined by my ministry within the next year as we move forward with the working forest initiative. Secondly, I believe the regulation of forest practices on private lands, which are currently managed by the commission, can be managed by either government or industry or by a private-public partnership.

With respect to the agricultural land reserve, three major strategic shifts are needed. The first shift is to restructure the commission by creating six regional panels and a provincial chair. This structure will provide greater regional presence. Commissioners will be more aware of local issues and will be able to respond more quickly. The panels can meet more readily and work more cooperatively with both applicants and local governments as well as view properties in person.

While the proposed structure will require additional commissioners, this will be offset by cost savings from less travel, as the commissioners will meet only in their regions. The net effect is cost-neutral, but the increased number of commissioners will result in better regional responsiveness.

In terms of structure, I recommend that we appoint 18 new commissioners, based on the following. Communities and agricultural organizations, with whom we've met, will submit names for the panel regions. Government will select at least two members from the list of nominees, provided sufficient names have been forwarded. Government will also appoint a panel vice-chair for each region.

There will be one additional appointment of a provincial chair to provide a provincial perspective, giving us a total of 19 commissioners. Panel members appointed from their regions will reflect the diversity of the regions and be representative of the types of agriculture and other local issues. As well, an executive committee of the provincial chair and the six regional vice-chairs will meet as required to discuss policy and administrative issues and matters of provincewide importance. The commission members will be appointed by the spring of 2002.

[9:35]

The second strategic shift for the ALR is to work towards what we are calling collaborative governance model, of which delegation is a major component. Delegation is based on a voluntary agreement between a local government and the commission. This is not simply a transfer of authority by the province but a mutually agreed-upon way for local governments to share decision-making in the ALR. Under delegation local boards and councils make decisions on non-farm use and subdivision in the ALR consistent with their community plans. We are proposing to increase the opportunities for such delegation at local governments.

The third strategic shift for the ALR is to streamline regulations and make them more flexible. The commission is rewriting its regulations, legislation and policies which should result in a reduction in regulatory requirements of about 30 percent. We will propose to expand the range of permitted uses in the ALR to provide for new economic opportunities for farmers and landowners. An additional benefit of this will be to provide more flexibility and discretion for local governments to regulate non-farm uses in the reserves. Less prescriptive and fewer regulations will result in less red tape and fewer applications to the commission, as well as realizing significant cost savings.

With the implementation of these proposed changes, I believe the commission will be better positioned to meet the expectations and aspirations of British Columbians in the months and years to come. This is a balanced and principled approach, and my recommendation is that cabinet approve this proposal as presented.

If we do receive that approval today, the next steps would be as follows: first, appoint new commissioners by the spring of 2002 in order for training to occur and the new panel system to be functioning by the time the new legislation is approved.

I have contacted both the Union of B.C. Municipalities and the B.C. Agriculture Council to discuss the proposed commission appointment process. We will base these appointments on policy and guidelines which are now being developed by the administrative justice project.

Second, ensure that new legislation is implemented so that changes are ready for the spring session of the Legislature. At the same time the regulations for the ALR are being revised to streamline, clarify and provide additional flexibility to the reserve.

And third, as the initiatives for the working forest and results-based code proceed and are implemented, phase out the forest land reserve. If these changes are supported, this is anticipated to be complete by the spring of 2003.

Thank you, Mr. Premier. I'd welcome any questions.

Hon. G. Campbell: Thanks. Questions? John?

Hon. J. van Dongen: Thank you, Premier. Just a comment, Stan, and then a couple of questions.

First of all, the Agricultural Land Commission is a longstanding, well-supported public policy in the province of B.C., coming into place in 1972. I think you've done a very good job of developing some sensitivity in the process to regional community concerns, and I've been very pleased to work with you on that. It's been a concern and a criticism, I guess, of the Land Commission that the agriculture and the farmlands that are in the Fraser Valley or in the Okanagan or on Vancouver Island are quite different than the agriculture and the farmlands in Fort St. John or in the Peace River or in the Cariboo, for example. Your proposal to have regional panels with people appointed from the regions, I think, is a good thing to address those issues. Certainly from agriculture's perspective, whether we're in the Peace River or we're in the Fraser Valley, we have an interest in seeing a stable land base. But at the same time your proposal, I think, will go a long way to accommodating, say, non-farm uses in the agricultural land reserve. We've had discussions here the last two days, for example, with the Ministry of Energy and Mines about the oil and gas industry, which is very much a very important economic activity here.

Coincidentally, it's interesting that in the Fraser Valley we are currently grappling with a distribution of a gas line or the installation of a gas line through agricultural land there. So we have the same issues facing us in these various parts of British Columbia.

[9:40]

I want to ask you to comment on two things that I think are important to the public and the agricultural community. One is the provincial mandate of the agricultural land reserve, which is really critical to the overall operations of the policy. The other is that historically we've had many different attempts at an appeal process - some of them more successful than others in terms of preserving farmland and maintaining a stable ALR. I wonder if you could comment on those two issues for us.

Hon. S. Hagen: Thank you very much, John. First of all, with regard to the provincial mandate in the proposed new legislation, there will be no change in the provincial mandate. The mandate, of course, is to ensure the preservation and sustainable use of the agricultural land base in the province. That will not change. I think that's important for the integrity of the agricultural land reserve.

With regard to the appeal process, there will be no appeal process - no appeal to cabinet, for instance - to remove the politics from some of these things, but the commission is working on a dispute resolution process. We don't have that finished yet. We're hoping that this will help resolve conflicts and disputes, but it will not be an appeal process, as such, to cabinet.

Hon. J. van Dongen: Good. Thanks.

Hon. G. Campbell: Greg.

Hon. G. Halsey-Brandt: Thank you, Premier.

Stan, I appreciate your comments about the ALR and the compelling public interest across British Columbia. I think this is one of the cornerstones of our province. I just have a question for you around the strategic shifts, about the expanded permitted uses and the regulatory discretion for local government. Is there going to be a consultation process, perhaps, with local government through the UBCM? Or is this going to be dealt with through the House in terms of legislation and what those changes might be? How might local government and the public become involved in what those changes are going to be?

Hon. S. Hagen: Thank you. Yes, those discussions are going on right now. As a matter of fact, I met as recently as.... It was either yesterday or the day before that we met with the UBCM. They're very supportive of this. We have already started doing some of the delegational agreements with municipalities around the province. It may turn out that not all municipalities want to be part of that. It's not being imposed on them; it's an opportunity for them to join with us.

With regard to the expanded uses, it's interesting that since 1972 or '73 - whenever the ALR came into place - there have been some requests that have never been turned down. In other words, there are some uses that have never been turned down. In order to reduce red tape and do some deregulation, those are the ones we're looking at to put into the approved uses. I'm having a lot of difficulty understanding why we continually expect people or companies or groups to make application and take the time and the expense to do that - and for government to also bear that time and expense - when there are uses that have never been turned down. Those are the sorts of expanded uses that we're looking at.

Hon. G. Halsey-Brandt: Just a final one. In terms of the relationship with local government, you mentioned the community plans. I take it, then, that the Agricultural Land Commission would be involved in the creation of those community plans so that the local government regulations in their plans, as affecting agricultural land, would have concurrence by the ALR. Then the local government could go ahead and administer that. Is that it?

Hon. S. Hagen: Yeah. There's a lot of interaction now between the CEO and the municipalities.

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

Hon. S. Hagen: I sense there's a very good working relationship there.

Hon. G. Campbell: Mike.

Hon. M. de Jong: Stan, here's the thing for me. ALR - we're talking about a zoning process, and one that I think enjoys broad support. Here's what's always puzzled me about the exercise: councils own land all the time. They do it publicly. People watch that process. Do you envisage a more public exercise via these regional boards than presently takes place?

Hon. S. Hagen: That's a good question. I think that because each of the three people will come from each of the six regions, it tends to localize it more and make it more public. I mean, I think the local regions will know a lot more about what's going on than if the decisions are being made in Vancouver or Victoria. To tell you the truth, I've not considered making the meetings open.

[9:45]

Hon. M. de Jong: I have struggled with concocting the argument that says that needs to take place privately, because so much of the angst, it seems to me, derives from the fact that people submit this material, make the application and get a decision. It's very unclear to them how that decision was arrived at, what was ultimately considered, how the debate took place. It is, at the end of the day, simply a land use zoning exercise - on a grand scale, perhaps, but that's all it is.

Hon. S. Hagen: I'll take that as a recommendation.

Hon. M. de Jong: Thank you. [Laughter.]

Hon. G. Campbell: Dick.

Hon. R. Neufeld: Thank you, Stan.

I guess this is good news to some people from this region of the province who have attempted to subdivide smaller parcels of agricultural land. Even though it's included in the agricultural land reserve, it may not be very good agricultural land. They've gone forward with approvals from communities, from regional districts, and still been turned down. What we end up with in the Peace country are a lot of one-quarter section rural homes, because they can't find the five acres or the three acres or the ten acres - whatever they want. A lot of people end up having to go out and buy a quarter section. They have no intention of farming it, but they want to live out of town. That causes some problems, because then the agricultural land that should be farmed really isn't farmed. This should bring some resolve to those issues.

I have one quick question, or maybe you could confirm for me that that will actually be the case now. Secondly, will any of these changes from the Land Reserve Commission have any effect on the oil and gas industry?

Hon. S. Hagen: In answer to your first question, hopefully, having regionally based commissioners, they will be able to address regional issues around the province. I know that's an issue up here. I think some of us would probably love to live on a quarter section of land, but we can't afford it. I do understand the issue. That's one of the prime drivers behind the regionalization of it.

With regard to the oil and gas industry, there'll be no direct impact on this except that when we introduce the new legislation, which will give us the ability to delegate not only to municipalities.... We would also be looking at arrangements to delegate to the Oil and Gas Commission, which we do now under something called a general order, but it's not in the legislation. I think, again, there's a process that's gone through for years and years and years, and everybody understands how it works. But if we want to attract industry, one of the things we have to do is cut red tape.

For something that sort of gets.... It becomes almost an automatic approval process but still takes a month or two months to do. There isn't much common sense to that. I guess what we're trying to do is add some common sense to this and at the same time protect the farmland around the province.

Hon. G. Campbell: Rich.

Hon. R. Coleman: Thank you, Premier.

Stan, I come at it from a bit of a different direction in terms of my community. It's urban pushing up against farming. I'm wondering, as you move to this local model, how you're going to deal with such things as lot-line adjustments so that you can actually get larger parcels of land into the farming infrastructure and how you're going to deal with the whole issue in and around the industrialization of the farming sector in balance with the local community that may not want it. I go back to the Delta example on the greenhouse issue and some of the other issues.

As you go to this local input, how are you going to protect the right of the farming sector to farm in balance with the industrialization of its base as it grows and at the same time allow us to have that mixture of people? I don't know that I've actually heard how you're going to do that on a local basis. If you delegate that power, maybe you're going to get some local push to stop an actual farming operation from taking place. You may need adjustments to a piece of legislation like the Right to Farm Act, in addition to what you're talking about.

[9:50]

Hon. S. Hagen: I believe we do have a Right to Farm Act, which is not with me but with the Ministry of Agriculture. I understand the issue that you're talking about. It's a very challenging issue particularly, I guess, in the Fraser Valley and in the Okanagan. I would just like to repeat that the provincial mandate of the ALR is not changing. The protection of farmland is not changing. The fact that we are regionalizing it, I think, puts the commissioners that much closer to the areas that they're dealing with. Those things will have to be worked out between councils and the commissioners, but the overall protection of farmland is still there and remains.

Hon. R. Coleman: Where would the final arbiter be, then, on a situation like I described - at the local level? Or would it go up to your regional board level?

Hon. S. Hagen: The local commissioners would have the authority to deal with that, but they would have to deal with the issue bearing in mind the provincial mandate.

Hon. R. Coleman: Okay.

Hon. G. Campbell: There's the Right to Farm Act, which is a provincial act. There is a provincial mandate which is part of the agricultural land reserve. The regionalization that Stan is recommending allows us to administer it in a more sensible way than we've done in the past.

I'll just tell you a quick story. I remember the first time I was driving from Fort Nelson to Fort St. John along the highway. The person who was driving along.... We were talking about the agricultural land reserve. He said: "You know, some of those guys in the Agricultural Land Commission are the smartest people in the world." I said, "Oh," because I was surprised to hear that. He said: "Oh yeah. They don't even have to go out on a piece of land, and they can tell you it's agricultural."

I think what we're trying to do here is trying to say.... I haven't been to a community that doesn't value its agricultural resource. As Stan says, a third of the agricultural land reserve land is actually here in the Peace. The agriculture industry is an enormous benefit to the Peace, etc.

What they want is some sensible application of those provincial policies. What I'm hearing you recommending here is that we regionalize that application by having people from the regions look at it and apply common sense. That does not mean they can say that agricultural activity is not taking place. It doesn't mean they can say that right-to-farm legislation is not applicable here. It is applicable across the province. What I see this doing is regionalizing the decision-making, as we

said we'd do in the New Era document. I see it actually depoliticizing, because my understanding is that there's no cabinet appeal of this. That's what you're recommending. We're regionalizing and we're depoliticizing.

I just want to give a plug for Mike's comment, because I do think that openness, although at times it's uncomfortable, does an awful lot to make sure that the right decisions are made in the public interest. I think that as we move forward with this, we should think of openness protocols for the Agricultural Land Commission and their deliberations. If you can make decisions about rezoning in the middle of a community, in the middle of a city or in the middle of a region publicly, we can make those agricultural land decisions as well.

It's really a way of saying: "Let's fine-tune it. Let's make sure the agriculture community has sensible support - a land base there that they need to have the land...take place - but let's not be sort of using big, thick felt pens in Victoria to tell people what they've got to do or don't have to do in agriculture." I think it's a strong direction.

Rick?

Hon. R. Thorpe: Stan, I'm supportive of this proposal. Could you just go through, though, how the regional commissioners are going to be selected or appointed?

Hon. S. Hagen: We're looking for input for this from the UBCM and from the B.C. Agriculture Council. We're looking for input from communities. We're looking for as much input as we can get so that the commissions are as balanced and.... We're looking for top people, people who understand agriculture but also are people.... Most agriculturalists that I've met are commonsense people. We're looking for people who have common sense.

Hon. G. Campbell: Can I just ask one more question, Stan? I guess the biggest issue that comes up with regard to the ALR is exclusions of land from the ALR. Can you sort of give us a walk-through of how those applications for exclusion would work under this regionalized process?

Hon. S. Hagen: Instead of the application for exclusion going to the.... Well, they would still come into the Agricultural Land Commission, but they would be passed down to the regional commission. So the regional commission of that region would look at the request and then look at the provincial interest and then look at it from a regional perspective and say: "Is it possible to do this, maintaining the integrity of the provincial interest but also taking into consideration the regional questions?"

[9:55]

I'll go back to Dick's example of someone who has to buy a quarter section of land to build a home on because they want to live in the country. Carrying through with that example, it might be possible that a five-acre part of that section is not farmable. It's not good land, but it's captured in the whole quarter section. That might be a case where the five acres could be subdivided and people could live on five acres if that's what they wanted. That's an example of what I'm talking about.

Hon. G. Campbell: The critical part of what you just said to me is that the five acres are not agricultural; they are not farmable. The agriculture standards, land standards, soil standards and those things are going to be maintained and not undermined.

Hon. S. Hagen: That's right.

Hon. G. Campbell: Linda.

Hon. L. Reid: Thanks, Premier.

Stan, Richmond East is home to probably the finest collection of urban farmers. One of our issues - and this ties to Minister Coleman's comment - is buffer zones between strong agricultural use in terms of cranberry production butting up against entertainment complexes, if you will. I welcome the changes, because I think there are going to be some sensitivities around how to craft a good resolution that allows us to work and to live more cooperatively together. Is it your sense that we will indeed have greater parameters around how to craft such buffer zones?

Hon. S. Hagen: That would be a subject of negotiation in the delegation agreements between the commission and the local municipality.

Hon. L. Reid: Okay.

Hon. G. Campbell: I want to jump in here, though. One of the challenges with buffer zones is that people are told: "Yes, this chunk of land isn't agricultural land, but this chunk is." One thing that takes precedence here is right-to-farm legislation. You don't get to take that five-acre piece of land that you put your house on and then say: "Gee, I wanted to be out in the farm country, but I really didn't think there was going to be a barn full of pigs next door to me."

I do think that's one of the challenges in urban regions. We say we want to protect the farmland, and then we say, "But not really," kind of. What we're really saying is: "Yes, we are protecting the farmland." That's what right-to-farm legislation is.

Joyce.

Hon. J. Murray: I just wanted to follow up on the Premier's question about how decisions will actually be made. You talked about the regional panel, but I wasn't clear. Is it the six-person regional panel that makes a decision about a potential exclusion in that region? Or does it go to the full 19-member panel for the final decision and the region makes a recommendation, or is it the executive committee of the provincial chair and the six regional vice-chairs that make the final decision?

Hon. S. Hagen: Thanks. First of all, it's a three-member commission, not six. The decision will be made by that three-member commission, taking into consideration provincial guidelines.

Hon. J. Murray: So it's made at the regional level.

Hon. S. Hagen: Yes.

Hon. G. Campbell: Any further questions?

Well, those are steps down the road, Stan. Thank you very much. That's approved. I appreciate it.

The next item on the agenda is the environmental tobacco smoke regulation. Graham.

For Decision: Environmental Tobacco Smoke Regulation

Hon. G. Bruce: Mr. Premier, somebody once said that - how does it go? - one-size solutions do not.... A one-size shoe - is that it, Bill? - does not necessarily fit all of us.

Anyway, however it was put, it was a very wise saying.

Hon. G. Campbell: Thanks for sharing it. So you're going to regionalize it.

Hon. G. Bruce: Regionalize it - yeah. This morning Mayor Thorlakson made it very clear how different regions have different lifestyles. This particular issue is one of those that plays differently from one end of the province to the other.

I'd just like to clear up a little concern I have, before I go any further on this, in respect to whether I smoke or not. I had a life-changing experience: I quit smoking when I was nine.

[10:00]

I did battle with a package of White Owl cigars in the proverbial woodshed out back. I had one of those moments of total disconnect. And I can remember my father coming up to the bedroom because I was incredibly sick. Of course, I was smoking those cigars out in the back of the woodshed when my mother and my father weren't home. As he climbed those steps - you know, when you're nine years old, and you know that everything is going to break loose - I actually hoped and prayed that he wouldn't spare the rod. I felt so badly. Just to share that very informative piece of.... I have no brook with smoking.

At any rate, this issue has been one that has been canvassed quite far and wide amongst all of us in caucus and in cabinet, and it's still to the point of our concern for the workers in the workplace and the issue of secondhand smoke. There is this concern about the fact that with what takes place in greater Victoria, what takes place in the lower mainland and what takes place throughout the other regions of the province, there may be different aspirations.

Be clear that although I'm recommending some changes here to the recommendations that were first brought forward, which we asked to have suspended at the WCB, over half of the population of British Columbia is still covered under some form of a municipal bylaw. That's virtually greater Victoria and greater Vancouver - about two million people or so.

What I'm suggesting to you - because I had the opportunity over the Christmas holidays, as I mentioned to some of you, to spend a long time talking with Solomon and trying to figure out some way of coming to some resolution - is, first of all, as we've discussed, and in other times through caucus and so on, to make it very clear that an employee in a hospitality setting would have the choice of whether or not they entered a smoking room. Now, this is very important, because this is the aspect of protecting the workers within that environment. Secondly, if they chose to do so, they could only be asked to spend 20 percent of their working time in that area. The other aspect that's important with regards to the work side of this is that no workstations could be in the smoking room area. That's how it applies to the employee.

Relative to the people that are in the small businesses - this was another great concern that we had in bringing down a regulation that would affect all the same - things have been difficult. This is a small business community. This is, in many instances, moms and pops trying to stay alive in what have been some very difficult economic times. Those times are going to get better.

Be that as it may, in reviewing all of that and trying to come up with a balance and looking at the different regions in the province, we've tried to do it in such a way that there is some flexibility but, by the same token, there is clearly a distinction in the establishments of where one can smoke and where one cannot smoke.

We're suggesting that 45 percent of a facility could be turned into a smoking room. This is with a wall. That would be a little bit different for bingo halls because of the nature of that activity, and we're suggesting that 65 percent of a bingo hall could be a smoking room. Now, if one were to go ahead and do that, they would have to do a number of other things relative to the air. They first of all would have to have an air rating of 35 percent CFM at the discharge, so that they have an airflow from the non-smoking area through the smoking area.

If you chose to utilize a heat-reclaim centre - because in areas in the northern parts and other parts, as we found here, it's a little bit cooler than it is on southern Vancouver Island - exchanging all of that air could cause quite an increase with regards to heating bills. If you're going to use a heat exchanger, the air that's returned must be returned to the smoking area. It cannot be returned to the non-smoking area. If you were to have an air cleaning arrangement within the facility, the rating on that one would have to be 95 percent operating efficiency at a 0.3 micrometre particle size.

We think we've covered those aspects off as best we can. There was another concern when we were to the figure of 45 percent of an establishment. In some of the larger establishments this would mean a very large space, this being in a smoking room. From the Liquor Control Board there was great concern that one wouldn't be able to monitor and do the due diligence there in regards to making sure there weren't other activities taking place that weren't supposed to be taking place and to be able to monitor that.

[10:05]

What we've recommended is that this 45 percent of an establishment can only be to, I think, 80 square metres and that there may be two areas. This really speaks to cabarets more than it speaks to small pubs.

The other point to make in regards to the 45 percent is that many establishments won't utilize the entire 45 percent. There is a change in society, and they are cognizant of the fact that more and more of their patrons are non-smokers and that if they make that size too large, then in fact they'll be impacting the non-smoking portion of their clientele and lose customers that way.

It obviously won't sit well with everybody, just as in regards to the great debate we've had within our caucus of 77 members. Thank goodness it wasn't 79. No, it's too bad it wasn't 79.

Hon. G. Campbell: How did you feel when you were nine years old again?

Hon. G. Bruce: Oh dear, I'm in trouble.

At any rate, if you would go along with this, I think it's important from the standpoint of my time frame and, as I was mentioning to you, with WCB - the assurance that we would have a recommendation in place by the end of April. There needs to be a 90-day window. This needs to be directed and posted as a regulation by the end of this month so that those within establishments that wish to make changes may do so.

Keep in mind.... One other aspect was that with the good work of our Solicitor General through the liquor control agency, we've also managed to work out an arrangement in regards to the outdoor areas. For those communities that have a climate where that would work, those outdoor areas can be smoking areas. Of course, they've got to have the ventilation of the normal outdoors, but they can put in some heating and some type of divides to keep some of the warmer air in. Those arrangements have been made as well.

I think, quite frankly, it's a solution that, as I mentioned, won't sit well with absolutely everybody, but then in government nothing ever does. The fact of the matter is that I think it does recognize the differing regions of the province of British Columbia and the changing notions and the concern that we all have in respect to secondhand smoke.

Hon. G. Campbell: Thanks, Graham.

Colin.

Hon. C. Hansen: Thank you, Premier.

I want to follow up on what Graham has said by just reminding everybody that tobacco use is the leading cause of death in British Columbia from illnesses that are 100 percent preventable. There's been increasing focus, which I think is appropriate, on prevention when it comes to health. Certainly, in British Columbia we have been leaders in Canada when it comes to the reduction in tobacco use and the reduction in the number of smokers. That's been particularly true of young British Columbians between the ages of 15 and 24, which I think is very encouraging. Part of it is that in British Columbia we have created an atmosphere where tobacco use is increasingly socially unacceptable.

I am quite pleased that Graham has come up with recommendations that allow British Columbia to continue to be a leader in Canada when it comes to creating an environment that will support non-smokers, support people quitting smoking and, I think more importantly, support young British Columbians from ever starting to smoke in the first place. I think there's much more that needs to be done, and there are programs that we're developing in the ministries of Health Services and Health Planning to continue to create a smoke-free environment in British Columbia generally and to discourage tobacco use and thereby prevent those health care costs in the future.

I am pleased with what Graham has come up with, and I feel that we have to continue to put effort into this area in the years to come. Thanks.

Hon. G. Campbell: Thanks, Colin.

Geoff.

Hon. G. Plant: Thanks, Premier.

I wanted to say a couple of things in support of the proposal - first, I guess, to remind myself that the mandate of the Workers Compensation Board is not to protect the safety of people who choose to go and drink in pubs. But rather, it's to protect the safety of people who work in pubs. That is, this is about occupational health and safety. In that respect, what Graham has done in the course of his struggle to think about this - to think about the safety of employees and to give particular attention to that issue in the context of his proposal - is, at least for me, one of the reasons why I am prepared to support this.

[10:10]

The second thing - which is really less directed to, I suppose, the content of the regulation -is, again, to remind myself and maybe others here that the Legislature in fact did give us the power to do this. Generally speaking, the WCB is intended to be independent. It is intended, by the Legislature, to be the body that makes decisions - in fact, not just decisions but the law. It makes the law about what constitutes workplace safety.

The Legislature that gave the board that authority was very clear in the provisions of the act that are reproduced in the submission that you've brought here, Graham. It says that the board's authority is not absolute, that in fact we here in cabinet have the final say in appropriate circumstances. I would think that it's probably good public policy that we choose to exercise that authority very, very seldom, and it may be that this is the only time in the life of this government that we should exercise that authority. I'm persuaded that the history of this issue requires us to exercise that authority.

I do care about the issue of institutional independence. I care about things like the rules that we make around processes and the power that we as government give to agencies and that we make sure there are appropriate mechanisms of accountability in place. I think it's important in the context of thinking about this decision to, at least for me, be reminded of the fact that the statute says that in circumstances where - and it's very unusual for a statute to do this, to say.... We can even ask the board to reconsider what it wants to do, and if it fails to do what we ask it to do and what we believe it ought to do, the statute does say we are given the power to repeal or amend what the board has done and to substitute our own view.

We do in fact, I think, have a legitimate public policy context within which we are operating here. This is our job. I'm glad that Graham has given appropriate consideration to the interests of workers here, because that's the primary focus of what we're about. I agree that this is perhaps the best example I can think of lately where we need to remember that one-size-fits-all solutions don't work in the province of British Columbia. For that reason, too, I'm also prepared to support this, I think, very reasonable attempt to strike a principled compromise on what is a difficult issue.

Hon. G. Campbell: Graham, can I just ask if you can tell me what a structurally ventilated area would look like? How does that work?

Hon. G. Bruce: It would look like a room. [Laughter.] Sorry.

Hon. G. Campbell: Yeah.

Hon. G. Bruce: Yeah. How am I doing so far, gang?

It would have to be a fully partitioned room in a pub establishment or a hospitality establishment. It would have a doorway; it would not necessarily have to have a door. With the negative air flow, you'd get the proper air flow. You don't necessarily have to have a door, but it would be a doorway. It's distinguishing. It's not open at the top; this is a full structure.

Hon. G. Campbell: Okay, thanks. Other questions? Sandy?

Hon. S. Santori: Just one comment. Even though I'm a non-smoker....

Hon. G. Campbell: We want to congratulate you for that.

Hon. S. Santori: I had to get that in, by the way. I was quite vocal initially. I just want to thank Graham and those who put the work behind this. Far too often I'm very critical of the lack of recognition that rural businesses get, and I do want to thank you for taking the uniqueness that exists in rural British Columbia and that in some of these small shops and one-bar or one-cabaret towns, it was going to be detrimental to - if not destroy - their businesses if we did not have the flexibility that you've brought forward.

[10:15]

I know that many of them still will not be happy because it's not full-blown smoking, but I think it's important that businesses in rural British Columbia recognize that they have to be part of the solution, as well, and that we have to meet each other somewhere down the middle. I want to commend you for doing this. I think that you've met the needs of rural B.C. in terms of the new smoking regulations, and I want to thank you for that.

Hon. G. Campbell: Thanks, Graham. Thanks, Sandy.

Hon. G. Bruce: Premier, just a final note to point out. These are the most stringent guidelines in all of Canada and, in fact, almost in all of North America. I think it would be a qualification of degrees between us and California.

Hon. G. Campbell: I think there's another thing that we can't lose sight of here. This is an area where the provincial government has responsibilities under the Workers Compensation Board. We're carrying those out - that legislation.

It's also an area where if a municipality, a local government, wants to say that there will be no smoking anywhere in any public place, they're within their rights to do that. They can do that with a municipal bylaw. That municipal bylaw would be done and open and in public, and would be full of public debate. This in no way undermines, as Graham pointed out.... I think it's about 50 percent of the population right now where smoking is prohibited. Victoria comes to mind. Vancouver comes to mind. I think it is a way of trying to respond to the needs of communities all over the province with a

provincial framework that allows local governments to go beyond the highest standards in Canada, if that's what they decide to do. I think that this is a sensible and straightforward approach.

I think if there are no further questions.... Sorry, Rich.

Hon. R. Coleman: I just have a quick comment, Premier. First of all, I'd like to thank Graham's group for working with the liquor licensing branch. As we go through this, keep in mind that if you hear something that comes out of the liquor licensing branch with regards to that about the design of the room relative to sightlines, it has to do with overconsumption, under-age drinking and illegal activity. As we go through this, we will continue to have sightlines so that we would be able to observe any of those activities within these areas.

Hon. G. Campbell: Okay, that recommendation of the minister is approved.

We will now move to the next item on the agenda, which is the elimination of business subsidies. Rick.

For Decision: Elimination of Business Subsidies

Hon. R. Thorpe: Thank you, Mr. Premier. I want to take this opportunity to present to you and the cabinet the status of one of our important new-era commitments, the elimination of subsidies to businesses. I will begin with a short overview of the framework that cabinet approved for this review and an outline of the process. Then I will present a summary of the recommended decisions for you.

I want to note, though, that the work of the core services review and deregulation task force is not over. There is still another series of programs to be reviewed, and we expect all of this work to be completed by April 30 of this year.

The New Era document contains several initiatives to assist in the rebuilding of a vibrant and competitive provincial economy. The elimination of business subsidies is one of those initiatives.

Our New Era document clearly stated: "Act to initiate the elimination of government subsidies to businesses that give some companies an unfair advantage over their competitors."

On August 15 cabinet made decisions on seven principles to be used to review government programs that might be providing subsidies to business. First, there was a definition of a subsidy. Second, there was a definition of the business. There was a definition of indirect subsidies. Let me just say that indirect subsidies, R and D fellowships and scholarships were not included in the review. Venture capital tax credits for investors were included insofar as the issue of fairness among these programs is concerned.

Another of our seven principles was tax policy. Tax expenditures were not included in this review but are part of the normal Ministry of Finance budget process.

The review of federal cost-sharing programs provided to provide subsidies to individual businesses was part of our review. We were also asked to look at treatment of past expenditures in each ministry. Ministries reviewed certain past expenditures to determine which, if any, of those could be recovered.

[10:20]

Then, our final principle was practices in competing jurisdictions. Programs for industry sectors where needed for British Columbia businesses to compete on a level playing field, first nationally and internationally, were exempt.

For the purpose of this review, subsidy is defined as a government program or activity that transfers a benefit to an individual, a for-profit business or selected groups of businesses. These benefits would not normally be provided by the marketplace. Two elements we considered for subsidy to be present are, first, an economic advantage - this being a benefit provided at less than commercial rates or terms - or, second, selectivity - where the government is exercising some discretion in selecting which firms will receive the benefit. The benefit is usually a direct financial one.

In our process, Premier, all ministries provided program detail. On this point, I would like to thank the staff of all ministries and the staff of my ministry who worked cooperatively on this issue. I would like to thank my ministerial colleagues for their cooperation in this very detailed program.

The program summaries were reviewed against principles approved by cabinet on August 15. As we reviewed the programs, the summaries had to reflect the five tests of our core services review, which were public interest, affordability, effectiveness and the role of government, efficiency and accountability. We then reviewed the programs against the cabinet-approved principles.

The resulting reviews or recommendations were categorized into three categories: red, which would be the elimination of the program; yellow, which required further review of the program; or green, a program not considered a subsidy to business. In some cases in our review, we found that only certain components of a program met the definition. Therefore, those parts were deemed subsidies that should be eliminated. As I said, I consulted with all ministers on the recommendations proposed for their programs.

With respect to the yellow programs, the core services review and deregulation task force then looked at these recommendations. Where there were questions, they were given to a small group of deputy ministers - four, in fact - who reviewed the programs and returned their conclusions. At that point the task force then put forward its recommendations.

The overall results to date identified 22 programs recommended for elimination. These programs met the definition of a subsidy and create an unfair advantage for businesses.

First, I'll start with the Ministry of Agriculture. They have four programs recommended for elimination: the grazing enhancement fund, which provides grants to individual ranchers; secondly, the shellfish agriculture working capital fund, which provides loans to individual businesses; the fisheries development and diversification, which provides selective grants to businesses; and fishery development and diversification - fisheries renewal - which also provides selective grants to businesses. Those are recommended for elimination from Agriculture.

With respect to the Ministry of Community, Aboriginal and Women's Services, two programs have been identified for your consideration on elimination. Partners in Cooperatives provides grants to establish individual cooperatives. These may be in competition with other small existing businesses. Second is community enterprise micro-loans, funding to community development groups, which in turn makes loans to individuals to start new businesses. I might add that the entire community enterprise program was suspended in July 2001.

With respect to the Ministry of Competition, Science and Enterprise, we are putting forward eight programs for consideration on elimination. First is the Financial Administration Act with respect to loan guarantees, which provides the guarantee of a bank loan to an individual company.

[10:25]

Secondly, within the Financial Administration Act, fiscal agency loans provide loans to an individual company. This is how the former government flowed money to Skeena Cellulose. Thirdly, the Job Protection Commission remissions. This is where the job commissioner provides remissions for individual companies, representing forgiveness of money owing to government. Examples are stumpage, WCB, B.C. Hydro.

Next, the industrial incentive fund provided loans and investments to individual companies. It was capped on August of this year at \$496 million, so no new loans could be made. Next, the small business incentive program provided loans to individual businesses. With respect to the next one in our ministry, Technology B.C. provides grants to individual businesses for applied research and development. We also have the technology assistance program, which provides grants to individual businesses for applied research and development. Finally within our ministry, the First Job in Science and Technology program provides wage subsidies to individual businesses to hire new science and engineering graduates.

The next area is the Ministry of Energy and Mines. The first recommendation for elimination is the prospector assistance grants, which provide grants to individual prospectors who can be considered self-employed. The next recommendation is the elimination of the renewable energy technology program, which provided selective grants to businesses for pilot and demonstration projects. The third program is the energy efficiency program, which provided, again, selective grants to businesses for pilot and demonstration projects.

With respect to the Ministry of Human Resources, we have one program recommended for elimination. It's called Job Start. It provides wage subsidies to individual businesses.

Looking at the Ministry of Advanced Education programs, we have one program for recommendation to be eliminated. The Student Summer Works program provides wage subsidies to individual businesses.

In the Ministry of Transportation we have two programs recommended for elimination. The first one is the Shuswap Lake ferry subsidy, an operating subsidy to a private ferry service. The second is the Mt. Timothy hill road maintenance. It maintains a privately owned access road to a ski hill.

Finally, with the Ministry of Water, Land and Air Protection, we have one recommendation. The green economy development fund provided selective grants to companies.

As I've said, Premier and colleagues, all of these programs in the ministries have been reviewed with the ministers and agreed to by the ministers and the ministries. Our next steps are for the ministries to implement the decisions. Some decisions can be implemented right away. Others will take effect at the start of 2002-03. Ministries are expected to manage this, including talking with the stakeholders affected. As part of the implementation, ministries will honour past commitments.

The second step would be for the core services task force to continue its work, as I said at the beginning of my presentation. We expect this work to be completed by April 30 of this year.

Finally, the ongoing test that we will all have is to apply the test to any new proposals that come forward. They must be able to pass our assessment process to ensure the seven principles of our commitment that no subsidies to business remain. Mr. Premier, I believe that this is yet another step in our government keeping its commitment to British Columbians to create an economic environment here where companies can come and know that they can compete fairly and start rebuilding our economy throughout the province. Thank you, Mr. Premier.

Hon. G. Campbell: Thank you. Ted.

Hon. T. Nebbeling: Just a quick clarification, Premier. The elimination of Student Summer Works - that is for students with salary subsidies for businesses. There is also a large group of students that in the summer work for non-profit organizations like the chamber of commerce or tourist information centres, which have that subsidy as well. Would they still qualify for that subsidy?

[10:30]

Hon. G. Campbell: Rick.

Hon. R. Thorpe: This is a training subsidy for employers to create summer jobs for students. The employers were getting up to \$4 an hour. The wage subsidy to businesses is being eliminated.

Hon. T. Nebbeling: But I'm looking for the non-profit organizations that do exactly the same, trying to entice young people.

Hon. G. Campbell: The non-profits are part of the next phase of the review.

Hon. R. Thorpe: That's correct.

Hon. T. Nebbeling: So they continue to be funded for now?

Hon. R. Thorpe: No. Excuse me. It's part of the second phase of our review, which will be completed by April 30. The second phase includes non-profits, regional, community, industry sectors.

Hon. T. Nebbeling: Okay.

Hon. G. Campbell: The challenge with these issues, I think, has generally been that they are individual companies that get the benefit. What we've done is establish a training wage, which provides the benefit to all companies to hire all new employees if they'd like to do that. I recognize that some people may not like that, but it seems to me that what we have to remember here is that we inherited a \$3.8 billion deficit. When you look at that, the programs that we're talking about eliminating here.... One of them is almost \$500 million of subsidies or loans or special agreements with special companies which actually are in competition with other companies.

At least, what we've been trying to say is: "Let's try and figure out what government should be doing and what government shouldn't be doing." Let me put it another way: what should your tax dollars be doing, and what shouldn't your tax dollars be doing? If people want to loan money to businesses,

they can do it on their own. We don't have to do it with your money, or the taxpayers' money. That's the thrust of this.

The first stage of this was clear business subsidies, and now we're going to go to a second stage, which is dealing with some of the other kinds of entities that have used subsidies in the past.

Kevin and then Mike.

Hon. K. Falcon: I just want to commend Rick for the work that's been done on this, quite frankly. I think that as you look at the scope of what he's uncovered right across government, for some of us, frankly, it was a shock as to how many different areas and how many ministries were actually involved in the subsidy of business.

There's an old saying that government has a pretty spotty record when it comes to picking winners and losers. In fact, government has a really poor record of picking winners, but losers have a great record of picking governments.

Hon. G. Campbell: That's the old saying Graham was looking for. [Laughter.]

Hon. K. Falcon: I just want to really make the point that I think this is a very positive step forward. In my community and in my constituency I've got a lot of small business folks that work extremely hard, and I can tell you that none of them are looking for government to give them a hand up. What they're looking for is government to get out of the way and lay down the foundation in terms of a commonsense competitive regulatory environment and a commonsense competitive tax regime that will allow our small business communities to do what they do best, and that's create wealth and opportunity and jobs.

Rick, I just want to commend you for the work you've done. I think it's great news.

Hon. G. Campbell: The recommendations are that those programs be eliminated, and those recommendations are approved.

For Discussion: 2010 Olympic Bid

Hon. G. Campbell: The next item on the agenda is the 2010 Olympic bid. As you know, Ted Nebbeling has been working diligently with the Olympic bid committee. As we prepare for our bid for the 2010 Winter Olympic Games, it is a huge opportunity for British Columbia, I think, not just to improve on our own infrastructure but to advertise British Columbia to the world. We said in our New Era document that during the new era, we were going to aggressively pursue the 2010 Olympics.

I think it's important to note that the Winter Olympics have not lost money in the last 20 years, the last two decades. We have no expectation that they will do that here. Many people may say - some people will say - when we're restructuring government and struggling to get a significant deficit under control: how can we afford a major commitment like the Winter Olympics? Let me say that I believe we can't afford not to do it.

The 2010 Olympics is about the future. It's about sport; it's about youth; it's about excellence; it's about showing British Columbia off to the world - what we can do with the world. In fact, I think it's interesting that the last time we had a major international event, Expo 86, that event was announced just as we were moving into a pretty significant economic downturn, as well, in British Columbia.

[10:35]

One of the things that I think is important about this is that it is not just about jobs and international recognition and private sector investment. It's about the people of British Columbia showing what they can do.

We're here in Fort St. John today, and I know that at the 2002 Salt Lake City games, Michelle Kelly is going to be there from Fort. St. John. Michelle is an athlete who does that incredible.... She's a skeleton athlete. Those guys go down the hill faster than you can imagine. I understand they wear really tight suits, too, and helmets and stuff.

Interjection.

Hon. G. Campbell: Mike, keep your personal stuff to yourself - okay?

At any rate, we know Michelle is going to go down there and do Canada incredibly proud, and we hope she's going to come back with the gold. It's the type of thing that young people like to aspire to. It's the type of thing that encourages them to do their best.

I think there's a huge opportunity not just in terms of our young people and the cultural activities in the province but an enormous opportunity to spur on another critical industry in British Columbia. That is the tourism industry, which would touch not just Vancouver-Whistler where the games were taking place but the entire province. Again, we're talking with the local community leaders here today. They're very excited about the tourism potential for the Peace River-Liard part of the province. They can all benefit from this.

The other thing is that this is about bringing money and investment to British Columbia. We have to get our private sector economy working. The expenditures for the games would largely take place between 2005 and 2010, if we are successful in our bid. The great thing is that most of the dollars required for the games will come from outside revenues, basically media rights and ticket sales.

Today we are tabling a provincial impact study, an economic impact study. It was coordinated by Ted and prepared by the Competition, Science and Enterprise ministry. It was done with outside expertise. It's a careful and a detailed study that shows the huge, positive benefits the games can have to the province. For instance, if you take into account the synergy between an expanded convention centre and hosting the games, with mid-range estimates it shows an increase in the provincial gross domestic product in the range of \$8.1 billion. Upwards of 182,000 new jobs will be created. Additional tax revenues at all levels of government will total more than \$2 billion.

Others have noted and recognized the important economic benefits the Olympic Games bring. We should have no illusions. There are a number of countries around the world that are going to compete for these games, a number of locations. We have a major effort ahead of us to secure them, but I'm pleased to say that we have a number of private sector partners who've come onside.

On December 20, Sheila Copps announced that the federal government will be partnering with the province in matching the provincial contribution to this. We want to welcome Canada. We want to welcome the private sector, and we're going to continue to build that multilevel partnership as we move forward. We believe that British Columbia can win the bid for the 2010 Winter Olympic Games.

I would like today to introduce two people from the bid committee: first, Jack Poole, who is the president and the CEO of the bid committee; and second, Terry Wright, who's the vice-president of the bid team. They're here to give us a presentation about where we're going and how we're going to get there. I'm hoping that the cabinet will be enthusiastic and we can support moving ahead with the government and with our partners to make sure we secure the 2010 bid.

Jack?

J. Poole: Thank you, Mr. Premier.

Mr. Premier, Minister Nebbeling and members of cabinet, I apologize for my croaky voice. I've got sort of a 2010 cold. It's the tail end of it, so if I start to cough, it won't last long.

[10:40]

The Olympics are for the young people. A lot of the athletes who could be on the podium in 2010 are ten to 12 years old today. For them, the Olympics means sacrifice. It means discipline, goal-setting, strength, fitness and mental toughness. It's about young people the world over crossing barriers of colour and language and religion, competing on a level playing field, living together in one village and striving to be the very best they can at what they do.

It's Canada's best - like Michelle Kelly from Fort St. John - versus the world's best. It's about winning and losing with integrity and honesty. It's about uniting a country. It's about a healthy lifestyle. It's about world peace. It's about nation-building. It's why we're a country. All the above and more, I think, are reasons enough for any country to want to host an event like the Winter Olympic Games.

There's a cultural side, an artistic side, to it as well: a chance to showcase to the world Canada's considerable cultural and artistic talents. Then, of course, there's a business side. Like most things, in the end it comes down to money. I believe that's why you invited me here today: to focus on that part.

Flying up here yesterday was kind of a nostalgic experience for me. I spent a good part of my early life in British Columbia, in the late sixties and early seventies, building communities in places like Taylor and Gold River and Port Alice, Sparwood and Fraser Lake, Babine Lake - there are some people here who know a little more about Babine Lake than others do - Mackenzie and Stewart. Those towns and their employers are hurting today. We're going to talk about a great opportunity for the province that I think will help the towns I helped build be a little better.

It's indeed a privilege and an honour to lead the 2010 bid team. I'm going to give you a progress report today of where we are. I'm going to go as quickly as I can, because time is limited. I'd like to be clear up front that I didn't invent this event. I deserve no personal credit at all for the event or the decision to make the bid. That happened before me. Having said that, this is really a great project. This is a great opportunity. It's a smart project. It's a return-on-investment project. It's a value-added project. It's a green project.

I'll give you a few numbers: bid budget, \$34 million; capital budget to build the venues to host the games, \$600 million to \$650 million; the games budget, \$1.3 billion; 5,000 athletes and coaches, and 10,000 media people. Imagine that - 10,000 media people.

Hon. G. Campbell: We're all excited about that. [Laughter.]

J. Poole: Ninety world broadcasters; athletes from 100 countries. It's twice the size of the Calgary Winter Games, and we all know what a smash hit that was. There's 750,000 hotel room nights; over 200,000 jobs; an increase in the GDP of over \$10 billion; and 6,000 hours of global TV coverage, which the city of Sydney calculated was like a \$2 billion advertising event. How could we ever get that kind of...? Where would you ever get the money to do something like that? Three billion TV viewers around the world. That's like 75 percent of the world is going to be watching that event on television.

The incremental tax revenue to British Columbia and Canada, as the Premier mentioned, is over \$2 billion if you take the convention centre and the games together. That's additional tax revenue. That's all paid for by visitors. In my view, that study, sir, is almost recklessly conservative. This is not a real estate developer's study you're talking about. This is one that's done very conservatively.

It didn't include corporate taxes, for example, because it's too complicated to do it. It assumes that visitors come here for a convention event or the games and that they don't come early, don't stay late and don't come back after - which, of course, we know is all wrong. These numbers are ultraconservative. There's enough in incremental tax revenue to pay the capital budget of \$650 million and to pay for the convention centre, \$500 million, and there's a billion dollars left over after that.

This really is an outstanding project, the likes of which I have never seen in my life. For those of us here today, clearly, this is the biggest thing that's going to happen in the rest of our lives. A lot of you are younger than me, but I still say it's the biggest thing we'll ever see in this province as long as we live.

I'll give you a quick snapshot of where we are: first, the cost of the bid and who pays for it; secondly, the capital budget; third, the games budget; fourth, the competing cities; fifth, some of the challenges we see; sixth, the strengths I think we have; seventh, a little bit about the IOC.

[10:45]

The cost of the bid. The approved budget is \$34 million, and we've raised \$28 million to date. We've got \$6 million to go. The source of that in the British Columbia government, including the Crowns, is \$9.1 million. Call that 27 percent. The Canadian government is \$9.1 million - 27 percent - and 46 percent is from others. This is the interesting thing that I think you'll like. Within B.C., from all sources, it's 43 percent of the bid, and 57 percent of the bid is being funded outside of the province. You can take a little credit for that.

It's important, going forward, that there be no further government funding. There will be no further government funding requests. You won't hear from us again in terms of funding the bid. It will be private sector for the remainder. We expect to be fully funded by late spring, and should there be a need to increase the budget, that will be the private sector.

I'll talk about the capital budget for a moment. I have to put out a huge caveat here. Please don't hold us to these numbers, because it's very early in the game. These are order-of-magnitude numbers. We're 12 months away from finalizing them, so they're very preliminary. They haven't been approved

by anyone. They haven't been approved by you; they haven't even been approved by me. It's our best snapshot for today.

We haven't got a deal with all of the owners of the land where these venues are going to go yet, so that will give you an idea of how far we've got to go. At the same time, we think that's a fair and reasonable budget. There's a good chance those numbers will move before we get done.

On the venues. Opening and closing ceremonies will be in B.C. Place. I'll talk more about B.C. Place later. The Vancouver athletes village - 2,500 beds - will be in False Creek near Science World on land owned by the city. That will become future permanent housing. Hockey will be in two locations: a new arena in UBC with 5,000 temporary seats and 5,000 permanent seats. That will become a legacy after the games. Of course, GM Place will be the premiere location for hockey, with 15,000 seats.

Figure skating will be in Pacific Coliseum. There will be a major redo of the Pacific Coliseum to make it ready for that exotic event - 15,000 seats. Right beside it - and the skaters love this - in the agridome will be a practice rink for the skaters. Curling will be in a new rink, probably in Queen Elizabeth Park where the existing Vancouver Club is. That will be 7,000 temporary seats. After the games it will be converted to a sheet of skating ice and a permanent curling facility. That will be a legacy of the games.

For speed skating, there will be an Olympic oval at Simon Fraser University. This again will be a major legacy of the games. It will be a summer and winter training facility for summer and winter athletes. A media centre for the 10,000 media will logically be in an expanded convention centre, which will probably be the number one legacy from the games.

Snowboarding and freestyle will be at Cypress Mountain in West Vancouver. Men's and ladies' alpine and Paralympics will be in Whistler and Blackcomb. The bobsled and luge track will be in one of three sites that Terry is looking at in the Whistler area. This will be another major legacy. I haven't finalized exactly where it's going to be, but it's going to be in the Whistler area.

The Nordic events - that's cross-country, biathlon, Nordic combined and ski jump - will be in the Callaghan Valley near Whistler. That's another major legacy, and we'll talk more about that later. The Whistler athletes village could be at one of several sites in Whistler. Again, we haven't finalized exactly where that will be. The 2,500 beds will be converted to employee housing.

The Paralympics arena will be in a new arena in Whistler Village on land owned by Whistler. That will be the future entertainment centre for that community. The satellite media centre will be in the expanded Whistler convention centre. The broadcast centre, which is the electronic hub of the games where these 90 world broadcasters will hang out, will possibly be in Richmond in a new trade complex. That location is still under study.

The final item is the Olympic regional centres. We've got \$40 million in the budget for regional centres. It's an idea that's been stolen from the Sydney games. It worked very well for them. We're working with the province to provide facilities around the province with giant screens, so the excitement and the experience of the event can be shared in communities like Fort St. John, for example.

We're six months away from any details on that, but it's an important part of what we're planning. That's it. It's very preliminary, and I emphasize that it has not been approved. We have 12 months to finalize. The numbers could move, but in order of magnitude, that's where we are.

[10:50]

The games budget, the cost of actually putting on the event - a revenue of \$1.3 billion, costs of \$1.2 billion and a profit of \$100 million. In the best case - I mean, if we really hit a grand-slam home run - we could make a \$200 million profit. The worst case would be a break-even. If it was a disaster - if something that nobody anticipates falls on this event - we could lose \$100 million. That's sort of the range. We believe the most probable is a \$100 million profit.

There'll be no government funding for the operation of the games other than for security. Security will be the domain of the federal and provincial governments. That's not covered.

The exciting thing about the games budget is that most of that's received up front in the form of TV rights, sponsorships and ticket sales, and 80 percent of that's going to come from outside of British Columbia.

Terry Wright is with me today. Terry has 15 years' experience in major sport development and management of sport development. He has been involved in major sporting events in the United Kingdom, Australia, Canada and the United States. He's the most knowledgeable individual in this country. We're lucky to have him.

Terry has convinced me that running the games is going to be the easiest part of it. We can relax on that and sleep well. We're going to make a profit. B.C. has the track record and the people. I think you know that, and the IOC knows that too. Canada has a great reputation worldwide in hosting major sporting events. We've got a reputation that's unequalled in the world, really, and that's something we can trade on.

In terms of competing cities, there are four that have been announced in addition to ourselves: Salzburg - using Kitzbuehel - in Austria; Muju in Korea; Granada in Spain and Berne-Montreux in Switzerland. There could be more.

Salzburg, we believe, is the one we really have to key on, the one we really have to watch. I was over there in early December, and I met with the bid teams from Salzburg and Berne. It was a very friendly meeting. They were a little unnerved that I was there and wondered what it was all about, but it was just to be friends and tell them we're going to compete.

Only one of us is going to win. Salzburg has already thrown down the gauntlet and said that we won't be able to compete with them in terms of culture and art. I'm going to say: just wait till they hear what we're going to do for the opening ceremony. It might change that tune a little bit.

Challenges. We've got three major challenges. Number one is the Sea to Sky transportation corridor. The second is the expanded Trade and Convention Centre, and the third is the Richmond airport link, the rapid transit link.

Sea to Sky is a problem for us today. It's a problem that everybody in the lower mainland knows about. People in Switzerland and Austria know about it, too, because they told me we had a problem with the road. They said: "Well, the government's going to fix that, and it won't be a problem. It's nine years away. Don't worry about that."

It's a big problem. It's the fastest-growing area in the province. The number of vehicles on that road has doubled in the last 12 years, and it's increasing at 4 percent per year. It's unreliable; it's unsafe. Rocks the size of cars come down there in some of the storms we have. The Sea to Sky economy is tourism and industry, and they rely on that existing transportation system, which is really very close to the end of its useful life. By 2010 we could face serious gridlock.

We need your help here. We really need your help on this one. We need a transportation system that will be a combination of rail, marine, helijet and road, which can move 43,000 people in the peak periods in the morning. Please give us a guarantee that we're going to have a safe, reliable road, Olympic-ready, in 2010. When you do, it'll be our number one selling feature. In fact, we're calling the games the Sea to Sky games. That's how confident we are. We're going to take what's now our most serious deficiency and make it our number one selling feature.

The expanded Trade and Convention Centre. My record in convention centres is perfect - no wins and two losses. The first time I was involved in it, it involved no taxpayers' money at all. That project didn't proceed for a number of reasons. The second one involved all of British Columbia's taxpayers' money. Unfortunately, nobody explained to the Premier of the day, Mr. Clark, that the federal government gets half of the incremental tax revenue. When he discovered that, of course, it wasn't going to fly. Hopefully, this time it can work.

[10:55]

Based on the economic study, without the games, you get your money back two times. With the games, you get it back three times. The games need it desperately. We've got to have somewhere to put the 10,000 media. Tourism needs it, and we need the jobs now. It's paid for by visitors, by non-residents, two to three times.

What would be wonderful for the bid would be if the decision were made. Because it makes such economic sense, it was mentioned in the last federal budget. I think the federal government is kind of keen on this too. Our credibility would soar if that convention centre were under construction when the evaluation committee from the IOC comes here 13 months from now. I hope you see the wisdom of that and that it's a project that gets underway really soon.

The rapid transit airport link. The corridor and Richmond airport to downtown is the busiest in British Columbia. By 2010, again, you're facing gridlock and the environmental damage that comes with that. For our Olympic visitors, it will be the first impression they have of the city: how they get from the airport to downtown. The commuters who fight the daily traffic need it. It would be a huge lift to the bid. The cruise ships need it. The port needs it.

In my view, it's an ideal private-public project. Money has never been cheaper for 50 years than it is today. It's almost free. There's a lot of liquidity in the system. There's a lot of institutional money that would step up to fund a project like this on a user-pay basis. Again, Paul Martin mentioned this in his last budget, so he obviously thinks it's a good idea. I hope that can be part of it.

On the challenges, the Sea to Sky improvements, the bid really doesn't have a chance without that, and our chances would soar with it. On the convention centre, as a businessman, that looks like a no-brainer to me. Please proceed on that, and do it now. Let the visitors pay for this legacy, with money left over to put to something else. On the Richmond airport link, that's a huge asset to the bid. Could we win without that? Well, maybe. Again, with it, our chances would soar.

We have a number of strengths, too, and I think our number one strength relative to the cities we're going to compete with is the level of government support we've already got. The games can't happen without it. The cash flow all comes from incremental tax revenue, so it has to have heavy government involvement. President Jacques Rogge of the IOC has said that he doubts that the games will ever again be awarded to a city unless there are huge government guarantees. That's a huge asset.

Timing. Our timing looks good. When you think of Athens in '04, of Torino, Italy, in '06 and Beijing in '08, Vancouver '10 sounds pretty good. The games have never been away from North America longer than eight years since World War II, and 2010 will be the eighth year. Our timing looks pretty good.

Our strength, which at the moment is our weakness, is the Sea to Sky. For a lot of people, that's going to be the most memorable part of their visit: the trip getting there. In Europe they've got wonderful highways that go back and forth from their mountains to their cities. Even though the last 30 kilometres to Kitzbühel is a two-lane highway, they've got a great transportation system, and it's fully developed. You're going through manicured pastures, and it's lovely. Here we're going to take them up a fjord, through wilderness, with the ocean on one side and wilderness on the other. It would be a wonderful experience for them. They'll never forget it. We can really sell that.

B.C. Place. I didn't realize, initially, what a huge asset B.C. Place was to us. IOC members and people who go to the winter games worry more about the opening ceremony than anything, because it could be cold. The opening ceremonies for a lot of winter games tend to be outside. You could get a blizzard. You could get rain. You could get anything, and you can't control it.

We've got this wonderful facility that can seat 60,000 people, and when our special effects people get done, you'll think you're inside a glacier. You can sit there in your shirtsleeves and watch the event. That's going to be a big feature with the IOC. We're so fortunate to have that.

[11:00]

The fifth one, which could be our real *pièce de résistance*, is the Callaghan Valley facility in Whistler. Terry had a consultant from the International Ski Federation - he's a snow-jumping expert from Norway - and he told me about this facility. He said: "You've got this natural facility." First of all, it's in a clearcut area, so there's second-growth timber there. There are no environmental issues to speak of. It's microclimate. There's no wind. You get perfect snow conditions and perfect temperature conditions, and you're all by yourself. He said: "When the athletes see this, it's going to take their breath away. If you stand there, you can hear snow dropping from the branches."

To see his eyes kind of glazing over with excitement and to have somebody from Norway tell us about something that's right here in our back yard.... He said that no Olympic Games ever in the past or ever in the future will have something to compete with that Nordic facility, so that's big-time.

Finally, a few words about the IOC. There are 200 countries in the world, and only 82 of them have IOC members. Those are the only 82 we've got to worry about. There are 126 in total. Bid countries can't vote, so we need 60 votes to win. You'll know what this is all about. This is an election campaign. This is not just ordinary selling. This is an election campaign, a campaign with 126 voters that have no constituency. There's no bloc voting. They vote in their self-interest.

We've got to find out how to find them in the next 17 months, and when we find them, we'll sell them. We could win this, Mr. Premier. We can win this. I hope you'll let this bid be a catalyst to a new partnership with British Columbia and Canada. That's a very exciting part of this. I hope this will help and that we can get some people back to work. We can show the world we believe in British Columbia, as you do and I do. We can get this province moving and let visitors pay for it.

Mr. Premier, thank you.

Hon. G. Campbell: Thank you, Jack.

Questions? Gary?

Hon. G. Collins: I have a couple of questions, actually. You mentioned the Sea to Sky Highway as a potential obstacle to the bid. I guess that will be up to the committee to look at and up to the voters to decide whether it is. It will be up to government, I guess, to decide to what extent improvements are able to be completed and where they need to be done, etc. You mentioned that we need to have a capacity to move, I think you said 45,000....

J. Poole: Move 43,000.

Hon. G. Collins: So 43,000 at peak periods. Do you know what the capacity of the highway is currently at peak periods?

J. Poole: Terry? Do you want to come up here?

T. Wright: With the existing two-lane configuration, the estimates are that it could move about 30,000. So there is a need to try and get one additional lane in particular spots in order to increase that capacity.

Hon. G. Collins: Okay.

You also mentioned the convention centre and the role that an expanded convention centre might play as part of the locale for the media centre. I think that's what you called it: a media centre.

J. Poole: Correct.

Hon. G. Collins: You mentioned having it under construction within the next 12 months. I'm assuming you're working on ways to finance it in that short a time frame, so you could actually get started.

J. Poole: We're just making a bid, and we will use whatever tools.... We're not in the convention centre business. We're trying to make a bid to see if we get the right to host the games, and we're here today to tell you the things we need to strengthen the bid. I would think, just based on the strong economics, that that should be readily financeable today. It should make sense to government as a return-on-investment project.

I think, for sure, if we won, you're not going to get that advertising event and not have a convention centre to bring people back to. You know, when you get a \$2 billion advertising event and three billion people around the world that watch this event and fall in love with Vancouver and want to come, you're not going to not have a convention centre to welcome them when they come. I think it's just such a powerful project, and it pays for itself. My hope is that just on its own, you'll decide you're going to proceed with it.

Hon. G. Campbell: Geoff?

Hon. G. Plant: Thanks for the presentation.

One of the challenges we face as a government in terms of looking at economic renewal is a challenge close to the heart of my ministerial responsibilities, which is to make first nations an active part of the economic future of British Columbia. We're going to be talking a bit about that later this morning in the context of the oil and gas industry in the northeast.

[11:05]

Can you tell me what thought you've been giving so far to first nations involvement in the bid? I know you did talk a little bit about culture and those things. It seems to me that there are tremendous

opportunities for synergy here for us as a province to introduce the world to our indigenous heritage. I think that has been part of your thinking, but could you give me a bit of an insight into that?

J. Poole: Yes, sir. Thank you. I've got five political bosses: two cities, the province, the federal government and the first nations. That's quite a political job to have. That's who I report to. First nations are at the table - equal partners with us, members of the executive committee. In fact, Lyle Leo is going to be making a presentation to the executive committee, not at our next meeting but the one after that.

Terry has reviewed a number of components of the bid that are going to have the direct involvement of first nations, should we win - facilities to operate and the fact that these happen on lands that the Squamish and the Lillooet nations have jurisdiction over. They're logical partners. The relationship, I think, couldn't be better at the moment, and we have to work hard to keep it that way.

Hon. G. Campbell: Shirley.

Hon. S. Bond: I just want to follow up on the emphasis around involving the entire province in this project. I'm just curious. I don't know anything about how Olympic Games work in terms of proximity of venues. You mentioned curling, for example, and you were talking about a legacy for the province of building a facility with 7,000 temporary seats.

There are regional centres that have facilities that could seat 6,000 people. Has there been any thought to connecting the rest of the province to the Olympic bid in a more tangible way through the concept of hosting some of those events - that one in particular?

J. Poole: One of the preliminary thoughts is that we could almost offer a rink to every country during the games as a staging area to practise in the run-up to the games. To go more than an hour away from the Olympic Village would be a real negative in terms of our bid. We would run the risk of losing the international sports federation for whatever sport it was.

It would be nice, for example, to spread all the facilities all around the province. We could have some of the downhill events at Big White and Silver Star, but we probably would lose the bid if we did that, so we have to look for other ways to take this event around the province.

Certainly, in terms of tourism, I think we're going to look to the tourism industry to find ways to lever off the tremendous profile that's going to come from this event, to find ways to attract people who are going to see us for the first time on television, see us here in purpose - reasons to come back to visit Fort St. John, to visit Prince Rupert.

The run-up period - I'll let you speak to that, Terry.

T. Wright: From a competition during the Olympics, it's quite difficult. What they experienced in Salt Lake is that many of the adjacent resorts.... Actually, some trainings even come to Calgary. Countries will come in the six months to a year previous and train in areas where they can find similar conditions. Mount Washington and some of our interior mountains, etc., will get that kind of work.

Of course, one of the programs during the bid, one of our Legacies Now programs, is WorldHost. There are events going to other parts of the province right now that the bid has helped fund, such as the world junior curling championships that are coming to Kelowna. We're actually stimulating events and experience even now, and that will continue throughout.

Hon. G. Campbell: There are two things I just want to mention about this. I think that's a very important issue as well - not just the early events that we do to help train the people involved, to help get the athletes involved and heighten their ability to compete but also the whole idea of Olympic centres around the province. One of the things we're looking at in this bid is to take the opportunities for outside investment into the infrastructure for the province and spread it around.

For example, the Olympic centres we're talking about may well be - just as Jack is mentioning an expansion to the Vancouver Convention Centre - an expansion to a convention centre in a community. That may become their Olympic centre, which then becomes the expansion to their convention facility. Those are critical items we're looking for right now.

[11:10]

What Jack has done today is outline the framework of the bid. What we have to do today, really, is two things. One is to say: "Yes, let's go out and get the information we need to find out where the

costs are, how we do it, what the public-private partnerships are." I can tell you that I think there are enormous opportunities for partnership, and not the least of them is the federal government.

We should understand that for the Summer Olympics bid for Toronto.... Prior to the bid, there was a \$500 million commitment from the federal government to that bid, which carried on whether they got the bid or not. We are intent on assuring that British Columbia gets the same sort of support. As I have talked about the convention centre in the past, I have consistently said: "Look, Prince George has got a convention centre expansion it wants. Penticton has a convention centre expansion it wants. There are communities all over the province looking for that." We want to make sure we've got that provincial framework in place as we develop this bid.

There are two critical things we have to do. We have to authorize our staff to get to work to develop the real financial feasibility of these things - not just the convention centre and the transportation systems but the Olympic centres around the province. We have to know that if we go ahead with this - and we've said clearly we are going to aggressively pursue this bid - we will be asked to underwrite the bid when we bring in the bid book. We'll have to get ourselves in position to do that in time for the bid book, which is next December. That's the direction I'm hoping we can get from the cabinet today.

Rick.

Hon. R. Thorpe: Thank you, Mr. Premier, and thank you, Jack, for that informative presentation.

One of the things that both you, Jack, and the Premier have talked about is outside investment, private sector involvement. As some of you know, I have responsibility in working with the task force on the new convention centre project currently led by chairman Peter Armstrong, who is working very, very hard on behalf of all British Columbians.

One of the things that I think might be useful for us to consider today, Premier, is that my ministry has done a lot of work to date on public-private partnerships. If cabinet and yourself think it would be prudent, we could go out to the market and do our request for proposal within the next two or three weeks. Our estimate is that it would cost us a couple of hundred thousand dollars for phase 1 and \$200,000 for phase 2.

My talks with the federal government indicate that they're interested. They've received a report from PricewaterhouseCoopers dated November saying that's one of the areas that should be investigated. If it's the wish of cabinet, my ministry is prepared to move on that very quickly to investigate what is out there for public-private partnerships with respect to the convention centre.

Hon. G. Campbell: What I've done is ask Ted to coordinate that with the deputy minister to the Premier to make sure we are not having four or five different groups doing the same thing. We want to coordinate all of that activity and build towards getting the information we need, not just on the transportation systems but the rest.

I can tell you, Jack, that your description of the transportation system and the problems with the roads from Vancouver to Whistler paled in significance compared to the description of the transportation problems that Dick tells us about in the Peace River district. We've got a lot of work to do there too.

Any further questions? Shirley and then Gary.

Hon. S. Bond: If you permit me just very quickly one last comment, I really appreciate the clarity around the regional emphasis. I think it's absolutely critical to us as a province. More importantly than that, shame on Berne. We have a province that is absolutely fabulous in terms of the artists and the musicians.

A Voice: That was Salzburg.

Hon. S. Bond: Salzburg. Well, shame on them too.

A Voice: In fact, shame on all our competitors.

Hon. S. Bond: All of them. That's right.

Well, you know what? Our culture may have a shorter period to have developed, but it is rich and wonderful. In fact, we are excited about that, and we're going to show them, so they should, frankly, just hang onto their hats.

J. Poole: I should tell you that my objective with those two bid cities is that when they get knocked off in the first rounds, they'll support us. We're going to be friends.

Hon. G. Campbell: Gary and then Rich.

Hon. G. Collins: I want to pick up with a little comment that Shirley made on the culture. We have some incredible aboriginal culture here in British Columbia, first nations on the west coast in particular, which I think will undoubtedly feature prominently in the cultural portion of the bid. I think that's something they can't even hope to match and something that is fascinating for people right around the world.

[11:15]

I want to come back to your comment about the convention centre for just a moment and the comments that Minister Thorpe made as well. I think you said you were 0-for-2 on the convention centre, and you have made reference to the previous government and a previous Premier. I want to make sure that if and when the convention centre gets built, it actually is a success and that it's a success for the taxpayers and for the province.

I think it's important that we get the right answers and the right business plan, as the Premier said before, and the right mix at the right time. I just want to make you aware, as you probably already are, that Treasury Board will be watching this closely. Given the track record of the previous two attempts, we want to make sure this one doesn't cost us money with no results. We're supportive and enthusiastic, but we want to make sure it's done right.

J. Poole: If I could add a comment on a convention centre. One of the problems is that nobody pays rent for it. The only cash flow is the incremental tax revenue. Visitors create that. They leave a lot of money here, and that creates the tax revenue, but it's not like something else. The private sector could never do that on their own, because unless there was some creative way of you identifying and attaching that incremental tax revenue.... Then private sector could do the whole thing with no government money. There is no practical way to do that.

Hon. G. Campbell: Rich.

Hon. R. Coleman: Thank you, Premier.

Jack, I just picked up on one comment of yours. It was that the security cost of the Olympics would be the responsibility of the two levels of government. Having seen some of the budgeting around the G-8 for next year, are you saying we would actually absorb that cost outside your budget?

J. Poole: Yes.

Hon. R. Coleman: Okay. The other thing, just through to Shirley, was in reading material last night. There's been a 12- to 13-year spike in international tourism in Calgary since the '88 Olympics, and it continues to grow. In our material last night, I underlined some of that stuff, and I was quite impressed with the long-term spike relative to this activity.

J. Poole: Absolutely.

Hon. R. Coleman: On the security side, I guess we'll just have to look into how we....

J. Poole: Again, the economic study, in my view, understated the impact of that. I mean, it'll go on and on and on. It'll build. It's just quite incredible.

Hon. G. Campbell: I want to be clear that the bid committee going and putting this bid together.... Obviously, we've got some work to do. We can't put a bid together if we don't authorize the work to be done. That's what we're really looking for here today.

Ted and then Joyce.

Hon. T. Nebbeling: Just quickly, Mr. Premier. Besides having recognized in your introduction that bringing the Olympics to British Columbia would have a tremendous impact on our economy, on how our communities will get together to fight and work for these Olympics, there's a tremendous opportunity for the sports organizations in the province and for our young athletes to think that they have a chance, that they can participate in an Olympics right here at home. That was your introduction, and it was very valuable. Jack, it was a good overview.

He has, however, missed what I think is a very important element in the whole strategy to bring the Olympics to British Columbia. That is to recognize that in the short time he has participated with the bid people, Jack has done a tremendous job already. I think we are very, very fortunate to have Jack leading the team. His energy and his style are a big benefit in dealing with the international Olympic people. Your commitment and bringing people in committed is second to none. I think you are a huge asset to the bid, and I wanted to recognize that in this meeting.

J. Poole: Does that mean I get a raise? [Laughter.]

Hon. T. Nebbeling: That's the only point I think....

Hon. G. Campbell: I'll give you a 1,000 percent increase on your zero.

Joyce.

Hon. J. Murray: Jack, I notice in the material here that the third formal pillar of the games, according to the IOC, is environmental sustainability added to sports and culture. That's in complete alignment with our commitment to a new era of environmental stewardship. I'm also aware that the bid committee is being very proactive and sees that as a strong component of the bid. Can you tell us a bit about your strategy for furthering the environmental sustainability aspect of the bid?

J. Poole: I'm going to ask Terry to help me with that.

T. Wright: Sure. Of course, thank you to your ministry, which has helped us with a key staff person in that regard. We have a multidisciplinary work group that includes members from government, from private enterprise and from a number of NGOs that are helping us plan how we can essentially push the envelope forward. One of the early things that was done was to establish a green policy for operating the bid.

To the best of our knowledge we're the first bid that took that step during the bid phase. Most write about what they would do at the next phase, and we've tried to put it into practice just in our day-to-day activities. We are looking at everything from venue design to operating concepts to future legacies in terms of the sustainability of them, both directly on the Olympic operations and in conjunction with the communities in Whistler and the lower mainland so that we have, if you like, a joint approach to it.

[11:20]

One of the things we're trying to do is incorporate the other elements of sustainability, economic and social, with environment and, in that way, perhaps drive a little bit of a competitive advantage with some of our competition. We are using Canadians from B.C. and across the country who have expertise in that. We're quite optimistic that, going forward, we're going to have things within the framework that will really impress the IOC and impress our own citizens.

Hon. G. Campbell: Thank you, Jack and Terry both.

The direction from cabinet that I think we can agree to - or I'm hoping we're agreeing to - is that the government will pursue innovative public-private partnership arrangements with both industry and our federal partners so that there's the least cost and risk to the taxpayers in British Columbia. We will be there for the operating guarantee for the games at the end of this exercise when it's required - remembering, in fact, that the operating guarantee is covered by the dollars that we basically get in, but it is a requirement that the government will be required to put out.

We will be coming back over the next months with not just feasibilities on the convention centre and the transportation issues that we have to deal with but also on the Olympic centres for around the province. We'll authorize our staff to develop that material and to bring it back to cabinet.

Thank you very much, Jack.

The next item on the agenda - and we have roughly 35 minutes left to go - is the first nations consultation with economic development agreements. Dick.

For Information: First Nations Consultation and Economic Development Agreements

Hon. R. Neufeld: Thank you, Premier.

We spoke earlier about the oil and gas industry and how strong it was in British Columbia. There's another key component to the oil and gas industry, and it is that government needs to build strong relationships with first nations so we can see that activity take place. You have instructed each of us in an earlier document, in fact, to build strong relationships with first nations so that we can get activity done on the ground. We intend to do that.

I'm going to talk briefly about what we're doing. We have had the Oil and Gas Commission and government working with Treaty 8 chiefs and councillors to come to some new agreements to facilitate oil and gas work in northeastern B.C. It has been going quite well. In fact, Derek Doyle, the new commissioner, has done an excellent job, and so have the chiefs - some of them are new chiefs, and some of the councillors are new councillors - in trying to facilitate those things.

The Saulteau nation and the Halfway River first nation have signed agreements in just the last little while. They go along with the ones that were signed in October by the Prophet River, Blueberry River and West Moberly first nations. The Fort Nelson first nation and the Doig River first nation have just a few things to do yet to clean up some of the issues around there. We expect they'll probably be carried out fairly soon. That will complete that project.

These agreements will replace earlier agreements that weren't working for either first nations, industry or governments. We're trying to replace them with agreements that will actually respect the first nations' desire to know what's going on and have a greater input into what happens on the ground so that government and industry have some certainty along with it.

This is a point of information: the Premier, myself and some of the cabinet members will be meeting with all the Treaty 8 chiefs and councillors for luncheon prior to our trip to Ladysmith to discuss with them a bit about the industry, their involvement and the community's involvement, for their benefit and for all British Columbians' benefit, and to be able to protect the environment that actually, Premier, will sustain us all. I'm pleased we can do that while the cabinet is here in Fort St. John. It's a great opportunity and probably another first in British Columbia.

[11:25]

The second point of information is that in the latter part of August last year, the government appointed an energy policy task force to go out and structure for the province an energy policy that deals with electricity and how we deal with green energy, how we deal with the oil and gas industry, the coal industry and all those kinds of things. They had an interim report they presented to government that we made public to solicit input from the public just prior to Christmas. So far there's been approximately 50 submissions and 30 direct representations to that committee. They don't have enough time to meet with all the people, the individuals and the groups that want to make representation.

They were to have their final report to cabinet by February 15 so that we could review it. I've extended that to March 15 to facilitate those individuals that haven't had time to come forward and put forward their concerns or their ideas about an energy policy for British Columbia. I just thought I would make both of those pieces of information public.

Hon. G. Campbell: Okay. Thanks, Dick. Any questions?

Just on the oil and gas, it is critical that we establish those long-term relationships. I think those memorandums of understanding are very important leadership steps for the future exploration of oil and gas as well.

For Decision: No Expansion of Gaming

Hon. G. Campbell: The next item on the agenda is the Solicitor General on the implementation of our policy of no expansion to gambling. I should just say, for the public, that we've had.... Our position with regard to the new era was that we would not expand gambling, that we would live up to the legal commitments the province had made in the past, but that we were not going to have a further expansion of gambling in the province.

There are difficulties in looking at what the legal obligations are and are not for the provincial government when there are things that are sort of partway through processes, etc. We have had discussions about those legal obligations as a cabinet, but we also have, in our New Era document, a commitment that we will make decisions on gaming in open cabinet meetings. That's what Rich will be talking about today.

The legal requirements that we have to face as a cabinet have been met in previous cabinet meetings. We had a discussion about this last night at a cabinet meeting. The policy discussion that we're going to have now is about how we define no expansion to gambling for the future.

Rich.

Hon. R. Coleman: Thank you, Mr. Premier.

Our government, as you know and as the Premier just said, made a commitment in the New Era document for British Columbians - and I'll quote - "to stop the expansion of gambling. It has increased gambling addiction and put new strains on our families." Government is in the gaming business, mandated by the Criminal Code and conducted by the B.C. Lottery Corporation in British Columbia. The Ministry of Public Safety and Solicitor General is seeking direction from cabinet as to how this commitment is to be applied to the existing infrastructure of gaming in British Columbia. Since the conduct and management of bingo, along with horse racing, have been dealt with previously, this discussion is strictly around the existing casinos in B.C.

I should mention that the openness and accountability relative to this decision is absolutely vital. It is vital because it brings out into the open decisions with regards to something that has always had some public angst around it, in casinos and slot machines. I welcome the fact that we are standing by that commitment to have this decision taken in public.

As the Premier said, I have briefed cabinet on the legal and contractual concerns in this sector which have led to my recommendations today. At the same time I have outlined the social and financial impacts. Having had that opportunity, I am prepared today to make recommendations to cabinet which will balance our commitment with our legal and/or our contractual obligations.

Last summer I froze all relocations of casinos in British Columbia other than those that were already in progress. A decision today will allow the B.C. Lottery Corporation, not the ministry, to finalize its core review and business plans relative to this sector. They must manage this sector in a socially responsible manner for the benefit of all British Columbians.

I would be remiss today not to talk about some of the social impacts of gaming as we move forward to this decision. Most British Columbians gamble without a problem, but for a small minority, however - about 4 percent - gambling may be problematic or even pathological. In British Columbia the term "problem gambling" is used to describe gambling behaviour patterns which compromise, disrupt or damage personal, family or vocational pursuits. During 1997-2000 there were 26 callers out of 2,041 to the B.C. problem gambling help line that reported having committed a crime as a result of problem gaming. On average, just over one caller per year over the past three years, or four callers in total, has identified domestic violence as an event precipitating the call to the problem gambling help line.

[11:30]

British Columbia has the smallest per-capita expenditure of gaming in the country. If all casinos were operating at the maximum permissible level in British Columbia today, we would still have fewer slot machines and VLTs per capita than any other jurisdiction in Canada with the exception of PEI. This compares to Alberta which has a combined total of 10,641 slot machine and VLTs, Ontario which has 19,140 slot machines and Quebec which has 20,570 combined slot machines and VLTs. Our maximum capacity would be around 6,000.

It is instructive to understand the difference, as we move forward with regards to gaming, in where you put it. If you put it in the middle of neighbourhoods, the incidence of problem gambling goes up. I'll give you a couple of examples. In Nova Scotia there are 1,078 slot machines, but there are 3,646 VLTs in local stores and bars throughout communities. Their incidence of problem gambling is 5.5 percent. In Alberta there are 4,646 slot machines and 5,998 VLTs, for a total of 10,641. Their incidence of problem gaming is 4.8 percent; whereas in Ontario, where their casino-only slot machines are in casinos and in locations that would attract outside visitors, of 19,140 slot machines their incidence of problem gaming is 4 percent.

Reducing access to legal gaming does not reduce problem gambling. People will move to illegal and uncontrolled gambling activity such as Internet gaming and illegal VLTs. A controlled gaming environment is a socially responsible approach and reduces police concerns with regards to the proliferation of illegal gambling, money laundering or the involvement of organized crime. In our information and our studies there is no involvement of organized crime in any gaming that is legal in western Canada.

Funding to the provincial problem gambling problem was doubled in 2001-02. As well, the B.C. Lottery Corporation is planning to introduce responsible gambling programs at each gaming facility in the province.

Crime rates, bankruptcy rates and health indicators do not change after a casino opens. Gambling-related crimes in British Columbia are infrequent. Limited gaming activity to specialized locations does make a difference, as I told you with regard to VLTs. Patrons must make a conscious decision to visit a casino rather than having access to slot machines and VLTs located in a local bar or convenience store.

Local governments have generally taken either a positive or a negative position with regard to slot machines in their community. There does not appear to be any concern or issue regarding the actual number of devices, and we have allowed local governments to make the decision with regards to the introduction of slot machines in their community.

There are two types of casinos in British Columbia: first, destination casinos. Up to seven destination casinos are permitted in B.C. under a 1997 request for proposal process. Each site is host-, local government- and site-specific. Two of these are completed and open, three are likely to proceed, as they've shown remarkable progress, and the other two are facing governance or financing difficulties. They should be allowed to proceed only if they are able to overcome these obstacles in the near future and make progress towards the completion of their RFP by April 30, 2002. If built, each of these casinos is currently permitted up to 300 slot machines, 30 gaming tables and six poker tables. It should be understood that these casinos cannot be relocated and will not proceed elsewhere if their current proposals are not successful.

There are 17 community casinos in this province. Each may have a maximum of 300 slot machines, 30 gaming tables and six poker tables, if they meet the appropriate terms and conditions. Eight of our 17 casinos have slot machines, seven do not, and two have less than their maximum complement of slot machines. Those that do not have slot machines are in communities that do not allow them.

In some cases representations have been made by government or the B.C. Lottery Corporation to community casino operators that they would be given the opportunity to relocate to improve their business to either a slot-friendly community or within their community without slot machines. As a result, we believe we may have incurred a legal obligation for some of the community casinos without slot machines.

[11:35]

You might note that two community casinos have recently relocated and opened with slot machines - one in View Royal that moved from Victoria and the other that moved from Surrey to Coquitlam. These were in process down the road long before we came to government. The purpose of each move was to obtain slot machines in a slot-friendly community. Should a local government that disallows slot machines change its policy to subsequently permit slot machines, the casinos within that local government's jurisdiction are not automatically entitled to have slot machines.

The legislative and legal considerations have been dealt with in cabinet in a prior session, and a legal opinion concerning these issues has been attained. There are options and implications. I'm going to give you three options here today. The first option - option No. 1- is that the number of gaming tables and slot machines in B.C. be frozen at the levels they presently exist at, with no allowance for growth. The advantage of this option is that it clearly does not expand gaming. The disadvantages are that litigation will likely result, and impacts would be realized in the B.C. lottery business.

Option No. 2. In order to reduce the exposure to litigation, allow those casinos that have taken significant steps and made investments based on direction from government and/or the B.C. Lottery Corporation to relocate and/or expand capacity. It is estimated that four casinos currently without slot machines fall into this category. The remaining casinos without slot machines would not be eligible. No new licences would be issued.

The advantage is that this meets government's commitment not to expand gaming beyond previously committed legal obligations. It meets government's contractual obligations to casino operators. It decreases the risk of expensive litigation and fulfils the B.C. Lottery Corporation's business plan. The disadvantages are that eventually there would be more slot machines in B.C., and this could be seen as an expansion of gaming. Litigation could still result from the ineligible casino operators.

Option No. 3. Continue to allow each of the 17 community casinos a maximum of 300 slot machines, 30 gaming tables and six poker tables if the appropriate terms and conditions are met, but prohibit any further licences. Allow some of the 17 community casinos, where necessary, to relocate to this maximum number of gaming tables and slot machines based on criteria established by the B.C. Lottery Corporation.

The advantage is that it allocates responsibility for casino operators to the B.C. Lottery Corporation. It eliminates the risk of litigation by casino operators and fulfils and potentially exceeds the B.C. Lottery Corporation's business plan. The disadvantage is that it expands the existing number of slot machines in British Columbia.

The decision recommended by my ministry is option No. 2.

Thank you, Mr. Premier.

Hon. G. Campbell: Thanks, Rich.

Questions? Comments?

I'll just say a couple of things. First, it seems to me that the recommendation meets the obligation that we live up to our legal commitments. Secondly, I think we have to know that we ran on a basis that said we were not going to be expanding gaming. We ran on that basis because there are lots and lots of horror stories with regard to the social implications and the social costs. I think that's something that's significant, and I think people expect us to live up to that within our legal obligations.

Municipalities have in the past had the opportunity to decide whether they wanted slots or not. Surrey said no; Vancouver said no; Richmond said no; Langley said no. A number of municipalities made a fuss that the province was trying to impose slots on them, and in fact they decided they didn't want them. We've agreed with that. We are not now going back and saying: "You have an opportunity to revisit your decision with regard to slot machines." What we're trying to do is meet our legal obligations as well as our political commitment not to expand gambling. I think that's what you've tried to balance and tried to bring here.

Gary.

Hon. G. Collins: Thanks, Mr. Premier.

I just want to sort of flesh out these three options from Rich, if I can. Option No. 3 is one where we would essentially say: "There are these licences. Every licence gets to expand to the maximum amount that was perhaps originally contemplated in the planning by the previous government." Is that correct? Is that what that option is?

Hon. R. Coleman: Maybe I could just clarify that, Gary. Option No. 3 basically says that 17 licences could go to a maximum of 300, 30 and six. They still can't move unless there's a business case and they meet criteria by the B.C. Lottery Corporation. You can't just decide to move a casino from one community to another without a business case.

[11:40]

Hon. G. Collins: Right. But generally....

Hon. R. Coleman: Generally, your description is correct.

Hon. G. Collins: Right. Option No. 1 could result in a fairly significant increase in the number of slots that are out there right now.

Hon. R. Coleman: Yes. We've basically doubled the slots.

Hon. G. Collins: But there are still no VLTs - okay.

Option No. 1 says.... This process was put in place. People have acted on it based on what the policy was, what the legislation was. Some of them have proceeded with more vigour and have actually been moving along and are further down the pipe than some. Some got bogged down very early on. What you're saying is just sort of freeze this in liquid nitrogen right now. Nothing changes; everything stays the way it is.

Is that what option No. 1 is, essentially?

Hon. R. Coleman: Yeah. Basically, option No. 1 just freezes gaming - period - without consideration for what you may have invested to look down the road or discussions you may have had with the corporation or the government.

Hon. G. Collins: Regardless of any legal implications.

Hon. R. Coleman: Regardless....

Hon. G. Collins: On that one you've said we'd probably get sued or there'd be litigation. Who knows how that would go?

Hon. R. Coleman: That would be the likelihood.

Hon. G. Collins: Right. Okay.

So option No. 2 is sort of halfway between that. We're saying that we're not letting this balloon inflate to its maximum capacity, given the fact that there are some that really not a lot of work has been done on. There are communities that have said no to slot machines. We're not the only decision-makers here; local governments are involved as well.

This one says that there are those who have been moving on towards a completion of their business plan to have this thing up and operating. They've been moving in that direction. They have legal means or legal rights to do that. We're saying that where we think we have clear legal obligations to move forward with this, we think that's the limit to which this gaming should continue, but they should continue with their plans. If there are places where we think that we don't have a clear legal obligation, then we're not going to go forward with that. So the balloon doesn't get inflated all the way. It stays partially deflated, so to speak.

Hon. R. Coleman: Yeah, that would probably be a fairly good description. Basically, if somebody has gone down the road to significant work or significant investment based on the encouragement of either the government division or the B.C. Lottery Corporation, that has to be taken into account in that decision. We obviously didn't review that decision as a ministry. We sent that to our legal people to have a look at, and they came back with that recommendation.

Hon. G. Collins: With No. 2 then, no necessary right exists there for - as you said - anybody who went ahead and built their casino in a community where the local community, the other decision-makers in this, said there are no slot machines.... There's no obligation for the Lottery Corporation, which will now be making these decisions, to authorize slot machines? In another case, there's no obligation for the Lottery Corporation to automatically authorize a move of a facility from one community to the other, either. That would be a decision that they would make. Is that correct?

Hon. R. Coleman: The Lottery Corporation has to make those decisions. Those decisions aren't made by the ministry.

Hon. G. Collins: But that's how it works under option No. 2.

Hon. R. Coleman: Under option No. 2, for instance, if a casino was deemed to have gone significantly down a road on advice by government and by the Lottery Corporation with the thought that they could move, let's say, to another community that allows slot machines.... If there had been significant work, they would be allowed to continue that process by the Lottery Corporation.

Hon. G. Collins: Okay.

Hon. G. Campbell: Greg.

Hon. G. Halsey-Brandt: Thank you, Premier.

Rich, in your report I think you mentioned nine community casinos that don't have slots. I don't know if that adds up to nine communities or if there's more than one in a community. I do think that if cabinet does agree with the option you recommended this morning - option No. 2 - the rules around that should be sent in writing to those communities that are host to those community casinos without slots. A lot of them think that decision is their decision, and that's certainly not the case, as you've outlined this morning. If we make this decision this morning, with option No. 2, that should be clarified in writing to those communities so that they understand that it's not a question that they will be able to do something next fall or two years from now, but that whatever decision they made two or three years ago is in fact the decision that's being reinforced this morning.

[11:45]

Hon. R. Coleman: Yeah, I think that's fair, Greg, and we'll do that. Frankly, it is not an automatic thing. A council that decides to have a referendum next fall and suddenly allows slot machines in their community outside of this decision where it's not a casino that actually had gone down the road to making a significant investment or had representations by government to move, that they would get those slots.... As a matter of fact, they wouldn't get those slots. That would be a clear expansion.

Hon. G. Halsey-Brandt: Good. Thank you.

Hon. G. Campbell: Kevin?

Hon. K. Falcon: Rich, I know you've done a lot of work on this, and it's complex. I'll support you in your option that you've recommended.

One thing I do want to bring up is that the previous government's decisions in terms of how they went forward with slot machine policy, as in many government decisions, has unintended consequences. One of the unintended consequences is that it had a very dramatically negative impact on the horse-racing industry, which has been a key component of gaming in this province for decades. This is a near and dear issue to me, because I think there is a real difference between the economic benefits that are derived out of slot machines and the economic benefits that are derived out of horse racing. In the horse-racing industry, there are huge multiplier effects in terms of the breeders, the trainers, the feed suppliers and the tack suppliers. There really are some very positive benefits that result from that.

I hope, as we go through this process, Rich, that we can work together as government to ensure that we are doing what we can to assist that industry in being competitive and successful, particularly when they're up against the challenge of our main competitors in Ontario and Alberta having slots in their racetracks, which allow them to afford bigger purses - which means that they can steal a lot of our drivers, racers, trainers and everything else that goes towards where the purses are.

I just wanted to put in a plug there - I know this is something that is important to you, because we've talked about this before - and I just wanted to get on the record that we are going to work with that industry and do everything we can to ensure that they thrive and survive, as the Premier had so correctly put to the industry.

Hon. R. Coleman: Well, thanks, Kevin. I think we should be clear that I would not want to take any credit for any of the mismanagement of the previous government in this sector and the way that they handled it. I think it was abysmal.

After being the minister for six or seven months, it was abysmal how this sector of government was managed. That's why I've moved it to where it's very professional, arm's length from the minister. I don't make decisions on individual licences, nor do I ever discuss an individual licence.

With regards to that sector, I think we've made some significant moves with regards to horse racing. We do have a cabinet decision to negotiate a new deal at Hastings Park and to look at how we can improve the teletheatre network for that industry across the province and how we handle the taxation.

I think that the horse-racing industry is actually staring down the light at the end of the tunnel at this point in time. Some of the auctions on new horses have been up in this sector in this last year, for the first time in some time. As we move forward with a successful business plan at Hastings Park, in conjunction with the people in Cloverdale, I think we'll have success in that industry.

Hon. G. Campbell: Thanks. Really, I think what option 2 does, in summary, is minimize the taxpayers' exposure to legal challenges, and it maximizes our commitment to stop the expansion of gaming. Option 2 is adopted. I appreciate the work you did on that, Rich.

That concludes the cabinet meeting. Thank you all for being here today. Thank you for your patience. I appreciate it.

The cabinet adjourned at 11:48 a.m PST.

