



TRANSCRIPT OF THE OPEN CABINET MEETING

WEDNESDAY, November 21, 2001

Province of British Columbia
EXECUTIVE COUNCIL

Premier and President of the Executive Council
Minister of State for Intergovernmental Relations
Deputy Premier and Minister of Education
Minister of Advanced Education
Minister of Agriculture, Food and Fisheries
Attorney General and Minister Responsible for Treaty
Negotiations
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Minister of State for Early Childhood Development
Minister of Community, Aboriginal and Women's Services
Minister of State for Community Charter
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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

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Hon. Christy Clark
Hon. Shirley Bond
Hon. John van Dongen
Hon. Geoff Plant

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Hon. Stan Hagen
Hon. Judith Reid
Hon. Joyce Murray

WEDNESDAY, NOVEMBER 21, 2001

The cabinet met at 9:03 a.m.

Premier's Opening Remarks

Hon. G. Campbell:

Hon. G. Campbell: It's 9 o'clock. We have a number of items on the agenda for today. First, we will be hearing from the Minister of Education - from Christy - and then from Judith with regard to Transportation. Graham is going to talk to us about Skills Development and Labour. Rick will be dealing with Competition, Science and Enterprise, and that will be finished up with Gary on Finance. We're going to have a Health Services update from Colin today, and we will have a fiscal update from the Minister of Finance at the end of the session.

We're continuing these reviews because it's important, I think, that we understand the strategic shifts that are being made throughout the government and in each of the ministries. This is a chance for you to get updated on what's taking place and to ask questions with regard to it, so we have a foundation that we can move forward on.

One of the challenges, I think, that we clearly face and that people understand we face is that we have to manage our taxpayers' resources as effectively as possible. That means focusing them on services that are going to make the most difference to people. As you'll recall, the core services review is about focusing our resources, determining what it is the government must do, can do and should do, and also what government can afford to do. I think sometimes people forget that those things are locked together. It's a very difficult process we're going through but one that I think is going to bear fruit, and it's important. I want to thank the ministers for taking the time to go through this with the cabinet.

I also want to point out, with regard to the fiscal update, that there are a number of steps we've taken that I think are significant in terms of trying to get our financial house in order, which is critical to protect the services that people want.

[9:05]

Today let me just start off with a briefing with regard to what happened yesterday with Governor Racicot in Vancouver. Governor Racicot has been appointed by the President of the United States, George Bush, to work on the softwood lumber agenda. I can tell you, having had the discussions that I had with him yesterday, that he clearly recognizes the magnitude of the trade issue between Canada and the United States. He clearly recognizes that British Columbia has made significant strides in meeting the concerns that have been raised by a number of people in the United States. And he clearly recognizes that it makes no sense for us to have a situation where lumber from Canada is being restricted - actually, lumber from British Columbia, Alberta, Ontario and Quebec is being restricted - while, in fact, the volume of lumber that's coming from other jurisdictions, whether it's Russia or Europe or anywhere else, has gone up dramatically.

One of the encouraging signs yesterday was that Governor Racicot said to me, to Minister de Jong and to the media that this is not a question of volume. This is a question of opening up and creating a transparent trade relationship so that the Americans understand what's happening in British Columbia and that they understand why our markets are open and fair. There is concern about creating a market validation mechanism, and I think that's important for us in British Columbia as well as for them in the United States.

The really critical thing, though, is that he understands how urgent this is. Today we're sitting in a province where literally thousands of people have been laid off in the forest industry, largely because of not just the economic downturn in the United States but also the softwood lumber agreement and the imposition of countervails and anti-dumping costs on our product.

I believe that Governor Racicot wants to find a solution. What I said to him at our meeting was that it's important for us to recognize that it's in our interests as political leaders to find a solution. I look at him as the client on one side of the border; I look at us as the client on the other side of the border. I think it's important that you know that he is taking this up. He has got the authority of not just the secretary but also the ambassador and the U.S. trade commissioner

Here's Mike de Jong. I wanted to say that Minister de Jong has done a very good job of bringing forward the interests of British Columbia - this is an important point - not just with the Americans but with Canadians as well. British Columbia's leadership was lacking on this file prior to Minister de Jong taking it on, and I think that Mike has done a very good job of moving this forward on our behalf.

I was encouraged by yesterday's meeting with Governor Racicot. I recognize that the thousands of people that were laid off are worried about their futures. They're worried about their communities. I

want them to know that we are working daily to move this file ahead. I can tell you that our staff, Don Wright, the Deputy Minister of Forests, is working literally every waking hour on moving this particular file forward. I'm encouraged that we may be able to find at least the framework for an agreement prior to Christmas, which I think would be important. We are pushing in that direction. We will work in that direction. I guess what I should say to you today is that I think you can take at least a little glimmer of light that there is an opportunity here for resolution that we can move forward with. It's important, I think, that we carry this on and move forward in the direction that we have.

This in no way suggests that resolving this issue will be easy. There will have to be changes in many of the areas that we've talked about in the past. The ministry is working on a number of those today. But I do think that we're moving towards a long-term sustainable solution. I think we're moving towards a long-term durable trading relationship with the United States. I have confidence that when we build a framework that allows for open access to the American markets, British Columbia workers and British Columbia industry will compete and be successful so that the long-term benefits to the province will be significant.

[9:10]

I wanted to give you that update today because Governor Racicot was here yesterday and I thought it was important that you hear that. Any questions about that meeting yesterday, the meetings that the minister and I had?

I should tell you that members of the government caucus also met with Governor Racicot. We also arranged for Ms. MacPhail to meet with Governor Racicot, as well as our senior staff. He did come to listen. I'm pleased to say that he said he'd learned a lot about what we're doing and how we're doing it. Questions? Okay.

The first item on our agenda is the Ministry of Education. Christy.

Ministry of Education - Strategic Shifts

Hon. C. Clark: Thanks, Premier. You said and all of us said, during the election and since, that education is our number one priority. Our core review is about making strategic shifts in the ministry that will help us achieve our goal of making sure that our education system is not just good, but that it's great. It's one that can compete and compare across the country and internationally and be recognized as one of the best in the world.

We need to recognize, too - and this is something that you've said very frequently - that education is not just important for its own sake. It's also the best preventative health care program that we've come up with. It's certainly the best economic development tool we've ever come up with. When we look at some of the statistics of people who don't graduate, we realize how very important education is to every British Columbian.

I want to just take ten minutes to walk everyone through our core services review and our strategic shifts. I want to talk about where we are today - first of all, who we serve, how much we spend - and talk about how we're doing and getting where we want to go. Then I'll take you through the strategic shifts that we've outlined and end with a summary of the ministry's core services.

First, a picture of the present system. It's a big system as you can see. This is the second-largest ministry of government. We are amongst the highest per-student funded in the country. We have 600,000 students and another 60,000 in the independent school system. We have 37,000 educators in the public school system and 4,300 in the independent system, 20,000 support staff in the public school system and 1,200 in the independent. We have 60 school boards in British Columbia, over 1,800 public schools and 350 independent schools. This is a big ministry. It has huge impacts on everyone in British Columbia, not just in the number of people it employs but obviously in the number of people who are affected by it. There are a lot of British Columbians who are either in school or the parents of someone who's in school.

Here's a picture of our budget. It's a little more than \$4.8 billion. As I said, it's the second-highest of any ministry in British Columbia. I should say, too, that we get pretty good results for the money that we spend. We do compare really well with other jurisdictions in the country. In fact, we compare well internationally on many different measurements. I think a good way to judge this is the fact that our curriculum is in demand worldwide. The governments in China are literally begging us to go over and set up schools - British Columbia schools that offer the Dogwood graduation certificate and that have British Columbia standards. Our standards are so excellent. They are recognized worldwide, really, for their excellence.

Having said that, though, I think we do need to make some improvements in the system. We can never sit on our laurels and say, "Well, we've got a really good system," and suggest that we can't do better, because I think we can. When you look at some of the numbers, you realize that we're not where we should be. Seventy-five percent of students in British Columbia do not graduate from high school. That's a pretty shocking statistic. When you look at those numbers for aboriginal students and you realize that only 38 percent of aboriginal students graduate, you realize even more acutely how bad the problem is.

[9:15]

What does that mean, then, when we have students who don't graduate in big enough numbers? Well, when you look at what happens to kids after they leave our school system, you find that 80 percent of the people who are currently dependent on social assistance in British Columbia did not get a high school graduation certificate, and 90 percent of the people who are in prison did not graduate from high school. That really does tell us how important it is that we build an education system that works for kids, which ensures not only that kids get a good education but that we design a system that fits them. I think that one of the things we often do in our system is try and assume that we can make every child fit the system and that if they don't fit the system, that's just too bad, and that's why they didn't graduate.

For some reason, we'll say that the one in four kids who doesn't graduate maybe just wasn't cut out for high school. I think what we need to say instead, rather than assuming that there is maybe something wrong with the child that we need to fix, is that we need to look and say maybe there's something wrong with the system that we need to fix. If one in four children is not graduating from high school, we do have a problem we need to address. That's one of the things we've been trying to get at in our strategic shifts today.

We have a number of performance measures that we already have in the system. One of the things I realized very quickly after taking on this job, though, was the fact that although we have a fair amount of data, we haven't put it to very much use over the years. We kind of collect it, and we don't use it for comparative purposes much. We don't use it to go out and try to identify problems.

In many cases, we don't make it public so that the taxpayers, the parents and the students in the system have a good picture of how well the system is working for them. One of the ones we have in place already is the foundation skills assessment, which is a test we do in grades 4, 7 and 10. It gives us a sense, a benchmark, of how those kids are doing in those grades. It tests reading, writing and numeracy.

We have, of course, the grade 12 exams. We are able to tell you what our high school completion rates are, and we're also able to tell you about transitions from school to work or school to post-secondary institutions. British Columbia is one of only two provinces in the country where children have a personal education number assigned to them, and that's a very, very valuable tool for us. We could use it for a lot more than we do.

Children, when they get their personal education number in our K-to-12 system, carry that through for two years into the post-secondary system, too, so we have a huge ability to be able to track how well students are transitioning through the system. That's an important measure for us, I think, particularly as we try and address skills shortages and ensure that there's a good linkage between the high school and the post-secondary system and also to find out what the linkages are between the high school system and the income assistance system, should children go onto income assistance when they graduate.

We've got some new measures that we want to add. One of those is the parent-student-teacher survey. We went to the BCCPAC convention -the B.C. Confederation of Parent Advisory Councils - in Prince George a couple of weeks ago. Tom Bennett from our ministry sat down with parents and asked them exactly what it is they think should be on those surveys. What information should we be looking for? What's important to know about a child's school experience?

There will be a range of questions on that survey based on the preliminary discussions we've had with parents. One of them that's going to be an important measure, for example, will be: how safe does your child feel in school? We'll pick up a lot of the academic numbers from the FSAs that we do and from the grad results and those kinds of things. We will also be able to get a sense of a parent's and a child's feelings about how well they're learning, but how will we know whether children feel safe in their schools?

That's a really important part of a child's ability to have a quality education. Those will be important questions to be able to ask. We talked yesterday with the B.C. Teachers Federation about how they would like the survey of teachers to look. They're excited about being able to participate in that as well. The Ministry of Education has never gone out and asked parents how they feel about the education system. This time, in May, will be the very, very first time that anyone has ever attempted to do that in B.C.

I talked about how education is our number one priority. The way we want to refocus the ministry is to say that instead of talking about the inputs, instead of talking about just how much money we spend and asking school districts to tell us exactly where they spend their money, we should be focused on outputs. What's the important measurement of output in our education system? It's student achievement. How well are students doing at the end of the 13 years that they spend in our publicly funded education system?

[9:20]

The way to get the student achievement is through four different methods that I've outlined here. First, autonomy. We want to give the school boards the autonomy to exercise the powers they have been elected to exercise. School boards are just as elected as we are, and one of the things that has happened over the last ten or 20 years is that increasingly the Ministry of Education has said to school boards in response to problems: "Well, we think there's a problem at the local level, so our response to it will be to say that we're going to take away your discretion to be able to spend that money, and we in Victoria are going to decide how to spend that for you."

When I met with school boards in the summer - and I met with every one, save one- they all said that is one of the biggest problems they face. If we decide how to spend their money in Victoria, why do they even bother running for office? A lot of the members of school boards are people who were once parents - right? They decide to get involved in their school board because they're frustrated with something that's happening in their child's education. So they say: "I want to change the system. I want to make a difference, so I'm going to run for school board, and I'm going to make decisions that are going to change the way my child is educated." They get elected to school board, and they walk in the door, and the first thing the superintendent says to them is: "Thanks a lot for coming out, folks. Good for you, going out and getting yourselves elected, but there's really no decision-making ability here at this board. Those decisions are all made in Victoria, because 92 percent of your budget is already spent for you, and most of the other 8 percent is already targeted by the ministry."

If that's the way the Ministry of Education decides that we want to run our education system, there isn't really a whole lot of point in having school boards. But I don't think that's the way we should be running our education system. School boards do have a reason to exist. This is a big, diverse province. Those school boards are elected to represent their local community's needs, as diverse as they can be. That's why school boards are there. If they are there, then they should have the ability to make the decisions that they're empowered to make.

We want to increase accountability across the system. I mean, I've often said that you can't have autonomy without accountability. The taxpayer's dollar still comes to the province, and we disburse it out to school districts. Taxpayers expect us to make sure that their dollars are spent wisely. That doesn't mean going to school boards and saying: "Here's exactly how I want you to spend every penny." What it means is going to school boards and saying: "Here are the results we expect. You figure out how you are going to get those results, and we will hold you accountable for the results at the end of the day."

Different school boards will have different strategies for meeting the kinds of results that we want to get out of them. That will very much depend on the makeup of their communities. Every community is very different. Some communities have large aboriginal populations, large English-as-a-second-language populations. Some are more homogenous. Some are wealthier; some are less advantaged. They're a whole different mix, depending on where you are in British Columbia. Different school boards will have different ways of meeting those needs, but again, we want to focus on results.

The main tool we're going to use to focus on results is the accountability contracts that my deputy is out working on with school districts right now. He is travelling to every school district in British Columbia - I think it's the first time any deputy has ever gone to every school district in British Columbia - to sit down and agree with superintendents about the goals that they'd like to try and reach the following year. Taking things like the FSA results and using them as a benchmark to set our goals for the next year.... If your numeracy results in grade 4 were low, then what percentage do you want to increase those by in the following year?

I think, now, he will have completed about 45 of the 60. We will have the accountability contracts available on the Web in February. The accountability contracts this year will be reasonably simple. This is our first year working at it. It's a new experience for all of us, school boards and the ministry alike. We also don't have all the information or collection tools that we will have next year. We won't have the results of the parent-student-teacher surveys, and we won't have a number of the other tools in place yet. But it's a start, and it'll certainly be goals to work toward. If we don't set goals for ourselves, as the Premier often says, we will never know if we're improving. So that's what those are about.

I've talked quite a bit about giving choices in the school system as well. We want to create choice in our school system for the very simple reason that every child is different. If every child is different, how can we assume that every school needs to be the same? Somehow that seems to be the way we've developed our education system over the years. We've assumed that every neighbourhood school should look the same, and all the services that are available in every neighbourhood school should be available in every other neighbourhood school. It's kind of a cookie-cutter approach to it.

[9:25]

Now, that works for most kids. It worked for me. I went to a school that was a good neighbourhood school. All my brothers and sisters went to the same school. We fit in, we graduated, and it worked all right. But that's not true for every child. Some children are academically inclined; some children are mechanically inclined; some children are artistic. Some children are more interested in sports, and that's what gets them out of bed in the morning. What I've said is that we should create choices in the system to be able to accommodate the different needs of children. Different children learn differently. That's what I mean when I talk about creating choices.

The private system, the independent school system, does well because they offer those kinds of choices. Often when a parent takes their child out of the public system and puts them into the private or independent system, they do it because those choices aren't available for their child in the public system. I think the public system needs to do a better job of competing with the independent school system. I think that'll make both systems better. If we provide a range of choices in the public system similar to the ones that are available in the independent and private system, we can only make both systems better. That's what I'm talking about when I talk about choice.

One of the things that has been suggested is that we should do away with catchment areas. I have to say that's not something that we're considering as a government. Doing away with catchment areas.... Different school districts have different ways of managing catchment areas. Some are very, very loose about it; some more or less don't have them; and some have very, very tight catchment policies. We wouldn't do away with catchment policies. If we did, we'd see chaos in school districts very suddenly, if we did it all at once.

What we need to do is work with school districts to encourage them to provide a range of choices, work with parents to educate them about the kinds of choices that can be available for them and get them to understand how to ask school districts for the choices that they want to see in their system. I think that's the way to create a demand-driven system. We need to have a system that reflects what parents want. If parents go and ask school districts for the kinds of choices that they see are required in their system and school districts are able to start responding those needs, we'll create a demand-driven system that meets the needs and expectations of parents.

The last thing on this list is funding. We are going to multi-year funding envelopes, as we committed to during the election - three-year funding envelopes for school districts. Next year will be the first time in ten years that school districts have gotten their budgets on time, and that's an important thing for school districts. It's incredibly important that they have time to be able to plan their budgets, and part of planning means consulting, particularly with parents and other stakeholder groups in the system. They need to have the time to sit down with them and say: "Okay, here's the grant that I've got from the government. Now let's sit down and talk about how we're going to work this into a budget." What's happened in the past is that the government has given school districts their grants very, very late in the year. School districts have been required to put together a budget in really short order, and that has meant that they haven't had much time for consultation.

Let's go to the next slide. I want to touch again on student achievement, which is our shift in perspective. Sorry, I got a bit excited about the student achievement part, so I've probably gotten away from where the slides are actually supposed to be. I talked about how we sometimes say that we need to fix the child instead of fixing the system. That's what this shift is about. We need to say that we aren't going to attribute the failure of the system to the student. We're going to say: "Let's

improve the system so that it fits students better." That means creating choices, and that means creating a system that works for different kids with different needs.

I've talked a little bit, as well, about focusing on expectations as opposed to just focusing on inputs. This really speaks to the issue of school board autonomy. I want to give you a good example of this. We used to say to school districts: "We want you to do training, so we're going to give you training in the form of what we call a PEI - a provincial education initiative grant." The PEI grant was so prescriptive and so specific about what it had to be spent on that when I went and talked to school districts in the summer, some of them said to me that they actually couldn't figure out ways to spend some of the money that they got under their PEI grant. Particularly in rural districts, the services that we demanded they get for that money weren't available. So we've gotten rid of the PEI grants. We're saying to school districts: "Look, here's your money. Spend it on training. You figure out how you want to do that."

[9:30]

When we talk about autonomy, we really want to go further than that. We want to take our budget and say: "Look, here, as much as possible, is the block of money that you are given to spend. Here are the results that we want at the end of the day. You figure out how you're going to spend it." That means moving from provincial government control to community control. That means giving control back to school boards, giving it back to parents and giving it back to communities. That is a huge, huge shift in the way that this ministry does business.

I should also say that the folks in the ministry who've been working on these shifts - this one, in particular - have done a marvellous job of identifying the barriers that we as a ministry put in place for autonomy. And there are a lot of them - a lot of rules and regulations that are in the way of that happening, a lot of strings that we attach. They've worked very diligently to try and remove all of those barriers to parent, school board and community control. But we need to remember that even though this is a huge shift, this is the way our system is intended to work. That's why we elect school boards in the first place.

On to accountability. We want to move, as I said, from collecting data to using the data to improve results. Why collect it if you're not going to actually use it to measure? Part of accountability, too, is making sure that the public is aware of what those results are.

The Fraser Institute, as you all know, does their annual report on how well schools are doing. The report looks, at the end of the year, at what the final marks were. I don't think that necessarily tells us very much about how well our system is doing, but the fact is that's the only measure, often, that parents have to go by. The fact that that issue of the newspaper gets sold out so quickly every year tells us how desperate parents and communities are to get that information.

I think the Ministry of Education should start competing with the Fraser Institute for providing that information, making sure that it's accurate and making sure that it's widely available to parents and students when they need it. They ultimately are the consumers of our education system, so they have a right to know how well we're doing - again, moving from following rules to attaining results.

Rather than saying to school districts, "We want you to spend the money this way, and not only do we want you to spend it this way, but we want you to spend a whole lot of time and paperwork telling us and proving to us that you spent it the right way," we're going to say: "That isn't nearly as important as finding out that what you spent your money on actually turned out a better student at the end of the day in the 13 years that they spent in our system."

Again, in accountability we're moving from hoarding information to making it public. We're going from a system that's driven by rules and regulations to one that's results-driven. That's the accountability contracts, again.

Choice is about going from one-size-fits-all to a fit for every size, making sure that every student with a different learning need has their needs met as much as possible in our system. It's much too much to expect that we will meet the needs of every single student in every single place. I'm sure there will always be students who want a different kind of experience that won't be available in the public system, and they'll certainly go to the independent school system. We have a great independent school system where they can certainly get a great education as well. But we need to build a system in the public system that's going to meet their needs as much as possible.

Some kids don't want to get out of bed in the morning, because they don't find.... Well, lots of kids don't want to get out of bed in the morning, but for many of them, it's because they don't find their

school experience very stimulating.

A Voice: I don't want to get out of bed in the morning. What's that about? [Laughter.]

Hon. C. Clark: We'll have to think about that. That'll have to be another cabinet minister's job.

We want to go from a narrow range of choices to a wide range of choices. When we talk about choice, we're talking about making schools more stimulating for kids so that we can give them....

A good example is this. A child who is mechanically inclined and who happens to be going to a school where academics is the only thing that's valued may have a tough time getting through. There's a school in Abbotsford called the CTC, where they focus on the trades. They have a 98 percent graduation rate, because the kids that are going to that school, first of all, are learning something that they're interested in while they happen also to be learning math, English and social studies. Second, the things that they're good at are valued at that school, and they're held in high esteem. Thirdly, also, of course, they see it as relevant to their work future, because they're likely to have jobs when they graduate because of the skill shortage in many of the trades that they're training for.

[9:35]

I should just note, on the issue of choice, that choice is different in rural districts than it is in urban districts. We recognize that. Magnet schools are something that's easier to provide in a district where you've got a lot of schools. In a district where you've got a smaller number of schools and they're widely dispersed, it is a different animal when you talk about choice. When we talk about choice with rural districts, we're thinking about things like two schools under one roof, which would be two kinds of programs available under one roof or greater access to electronic learning and providing those kinds of choices through technology.

Now on to funding. As I said, we want to go from the ministry directing board expenditures to boards directing their expenditures and going from what is at the moment an incredibly complex system to one that's understandable, comprehensive and transparent. Our funding formula has about 400 formulae that we use to calculate it. It's incredibly complicated, and very few people outside the ministry understand it.

We want to move to a formula that's much simpler and much less prescriptive so that we can say to school boards: "Here's your money. You figure out how to spend it so that you can get the results we want." Again, we're moving from annual funding to a three-year funding envelope to allow for better planning for school districts.

Just to sum it up, I want to say that I don't think that in this new era of education, the Ministry of Education should be in the business of trying to deliver education services in every single district. We are not here to dictate what communities need from education; we are here to provide a governance structure within which they can work.

We are here to fund education. We are here to set standards and curriculum, and we're here to monitor performance. We're here to report the results of that performance to the public, and we're also here to be a resource, to work with local people when they're not getting the results they need. The ministry will always be available to school districts when they have challenges, when they're having trouble meeting some of their goals. That's our job: to step in and assist them and to help them to meet their goals.

School districts exist for a reason. We elect school boards locally for a reason, and that's so they can deliver local education in a way that meets their local, diverse and different needs. That's the business we are trying to get into here with our strategic shifts. Ultimately, what we want to do is give school districts more ability to be able to focus on what's really important in education, and that's achievement.

Too often school districts are focused on what we call the three Bs. That's budgets, buses and buildings. I mean, you get elected....

Hon. G. Campbell: Oh sure.

Hon. C. Clark: Easy for me to say.

Hon. G. Campbell: Of course.

Hon. C. Clark: Parents and school trustees get elected because they care about kids' education. They want to make the education system better for students. They want to make the education system better every year, and that means they want to focus on what children are achieving. That's not about the capital infrastructure. It's not about collective agreements. It's not about buses. It's about making the education that we provide in our schools better for kids.

That's what our strategic shifts are trying to help them do, and as much as possible we're walking down the road hand in hand cooperatively with them, consulting with them on how these changes are going to work for them. I think that ultimately, this is the way we will make a better education system in British Columbia for every child.

Hon. G. Campbell: Thanks, Christy.

Any questions? We've got at least three former school trustees here: Mike and Shirley and Bill. Is anybody else a former school trustee? And Stan too. Okay.

Bill.

Hon. B. Barisoff: First of all, Christy, one of the questions I've got is that.... You talk about the value of the B.C. Dogwood Certificate. I know a lot of foreign students that actually come to schools in British Columbia. My concern, of course, is: what do we charge those foreign students to get the B.C. Dogwood Certificate in B.C., and what impact does that have on the local students and local districts?

Hon. C. Clark: Bill, many, many districts market our curriculum overseas and charge foreign students to access our curriculum in their schools, and the prices vary from district to district. It's something that districts do.

What we do as a ministry is monitor closely to make sure those foreign students aren't taking up spaces that would otherwise be used by local students. In most districts, there are some empty spaces in classes. Not every class is jammed to the brim in every single neighbourhood. You'll find neighbourhoods where they're bursting at the seams, but you'll also find neighbourhoods where schools aren't quite as full.

[9:40]

We monitor that very closely. If we find that school districts are filling their classes with foreign students at the expense of British Columbia students, we certainly take some action. We haven't found that very often in the past, but school districts have been quite entrepreneurial, some of them, in going out and marketing our curriculum overseas. That's something that we are competing at with every other province in Canada as well. We're doing reasonably well at it.

Hon. B. Barisoff: One other question, Premier.

Hon. G. Campbell: Go ahead, Bill.

Hon. B. Barisoff: The other question I have is that.... You talk about choices in school districts. You touched on it slightly about the effect that it has, of course, in the metro areas where you can have different schools providing different services for students. That actually isn't as accessible in the rural areas.

Now, I'm wondering whether there's any move afoot, like in a smaller district, where you could have two different schools and address the busing problem, where they could actually focus one school on one particular choice and focus the other but actually provide funding to bus in between the two.

Hon. C. Clark: Well, it would very much depend on the district. I think in a rural district, if you're talking about busing, the better choice would be to provide two schools under one roof rather than do it at two different schools. I think just for economy's sake, it would be better to do that rather than spend your money trying to shuttle the kids back and forth.

I don't think it's great, either, for kids to spend a whole lot of extra time on buses than they have to. I'd probably encourage districts to go for the two-schools-under-one-roof model, if possible, and also to look into the kinds of choices that kids can access through electronic learning. That's a big area that hasn't really been exploited very much by the ministry, although school districts, particularly in rural districts, are really chomping at the bit to get moving on that.

Hon. B. Barisoff: I think the bigger concern, though, is when we've got different communities, and every community seems to want its own particular school. I guess what I'm looking at is if they have their own particular schools, they would have a choice, whether you have communities that are 15 kilometres apart or 20 kilometres apart, and that you would say one school would be academic and the other school might be into whatever might go into a particular direction of choice. I guess my concern is whether you would look at providing extra funding for the rural areas for looking at those kinds of areas that they could actually have those choices.

As you well know, in rural areas things are quite different. One size doesn't fit all - I didn't use the shoe - and I think that we have a big concern in rural areas. Being a former chairman as Shirley is and I think a number of others, when we look at those kind of things, it just doesn't work. I'm just asking whether you can look at some of those kinds of things.

Hon. C. Clark: Well, Bill, that would equally apply in urban districts, as well, of course - right? In the city of Vancouver, children may want to be bused from their home, which might be across town, to a magnet school, and you could be talking about the same amount of time on a bus in an urban district with traffic as you would be in a rural district.

I would be hesitant to say that we want to invest a whole lot of money in extra busing money for kids to get them to and from schools. I mean, it's already a fairly tight budget for transportation in the ministry as it stands, so I think we'd need to put some very clear thought into that. We'd have to think about how much it would cost because, of course, every dollar that we put into transporting a child to and from school is money that doesn't go into educating the child when they actually get to that school.

Hon. G. Campbell: I've got Gulzar, George, Greg, Gord, Joyce and Sandy. Gulzar?

Hon. G. Cheema: Christy, can you tell me how this new policy is going to have an impact on certain schools or school boards where you have the new immigrant population, and how will this have an impact on the ESL training? That was the question that was asked repeatedly during the campaign. I just wanted to make sure: do we have any directions to the school boards on how they will meet the needs of students who require ESL, English as a second language?

Hon. C. Clark: What we are hoping to do is make it easier for school districts to be able to meet the needs of children who have special requirements, like English as a second language. They have told us unanimously that the way we fund school districts makes it really difficult for them to be able to meet the unique needs that they have in their districts, based on the different mixes that they have. For example, we're very strict about the ratios that they need to have for English-as-a-second-language teachers versus counsellors versus special needs learning assistants in schools.

[9:45]

Now, if you're in a school district that has a high English-as-a-second-language population but a low population of children that have behaviour disorders, for example, you might want to change that ratio. You might want to say: "You know what? Instead of having three of each, we want to have four of one and two of the other." Currently, we're not able to do that in our system in B.C.

We need to work some more flexibility into the system to make it easier for school districts to meet those local challenges and those local needs that will come as a result of very different populations.

Hon. G. Campbell: Gulzar.

Hon. G. Cheema: The other concern that was raised during the campaign.... The previous administration made a lot of political mileage out of the heritage language programs. They were telling the public that it's up to the school boards to make sure there's a certain number in the student population before they can have a special program - for example, the Punjabi language or Mandarin or other multicultural languages.

Where do you see your department? Are you going to give them the same directions? Or are you going to give them a different policy where they will have the flexibility to make sure that if the parents want their children to have a heritage language taught in a school, they can go and approach the school board directly?

Hon. C. Clark: That's precisely what we're trying to achieve with this - to say to school boards: "You have the right to be able to make those decisions. Of course, we encourage you to meet the local

needs that are out there, but we are giving you back the ability, the autonomy, the right to be able to meet those local needs."

It has never worked for Victoria. In fact, it hasn't worked at all for Victoria to say: "Here's what we want you to do. Here's the money we want you to spend it on, and now we want you to prove that you spent it on the right thing." That never works, because British Columbia is a big place, and it's not possible for us in Victoria to respond to every student and every parent's needs in every different community.

We want to give that power back to school boards, and then parents will be able to demand the services they want from their local school boards. Of course, that's the way the system is supposed to work.

Hon. G. Campbell: George.

Hon. G. Abbott: Thank you, Premier. A couple of questions for you, Christy, around the sports-physical education area in the Ministry of Education. One of the things that sports officials tell me is that they are seeing a decline in all of the indices around health and physical fitness among school kids. There is also, at the same time, an apparent - and I'd be interested in your thoughts on this - or decreasing emphasis on physical education in schools. Is this a concern to the ministry? Are there any plans to address that and make it part of the core curriculum as far as the ministry is concerned?

Hon. C. Clark: We recognize that it's a problem, particularly because parents have identified that it's a problem. Again, as I said, I think school districts should be responding to parents' demands for their children in the schools, and as much as possible we want to give them the ability to be able to respond to those demands.

We said during the election that we would fully fund arts and physical education by the end of the mandate, and we certainly intend to do that in the ministry. We are putting together our plans to ensure that that happens. That was part of our new-era commitment to the public in our New Era document. We certainly intend to keep that commitment.

The challenge for us, of course, is on the one hand saying that we want school districts to be autonomous and to be able to make decisions as much as possible about what it is they offer students, based on the demand they hear from parents, and on the other hand saying, "Here's what we'd like to make sure that you provide" - right?

We are looking at ways to try and find that balance, recognizing, though, that phys ed and music and arts programs are really important for children in schools, and we do intend to ensure that they are fully funded as per our commitment during the election.

Hon. G. Campbell: Can I just follow up on that? We are going to have a core curriculum - correct?

Hon. C. Clark: Uh-huh.

Hon. G. Campbell: Isn't that part of what you do in terms of looking at what the accountability of the school boards is? "There's the core curriculum that we're expecting you to follow," and they do it within whatever the framework is that they decided to do it in.

[9:50]

Hon. C. Clark: Yes. I can add, too, that we are going through a process we're calling a grad requirements review. That's a fairly long process, because changing grad requirements isn't something you can do overnight. It has to be something that's done deliberately and carefully and as a result of a lot of consultation. We're working with the B.C. Confederation of Parent Advisory Councils, we're working with the B.C. Teachers Federation, and we're working with the B.C. School Trustees Association to look at what we would include in grad requirements. The purpose of that is primarily to say: "Let's build a system that meets different kids' needs" - right? - "and different pathways to success." Physical education and where that would fit as part of the grad requirements will be part of that review as well.

Hon. G. Campbell: Okay, I have Greg followed by Gord, followed by Joyce and then Sandy.

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

Christy, I was pretty pleased to hear you talking about the shifts, particularly in the area of choices and the frustration that school boards have. We've had quite a debate, certainly in the greater

Vancouver area - and maybe other areas of the province as well; I'm not sure - particularly with multicultural communities. I'm just wondering how they access.... I know there's been debates about more traditional schools, Montessori, academic and this sort of thing. How do they actually access that through the school board? Is that through the accountability contract? I think the school boards have felt that one size fits all, and they have to provide the same programming in all the schools. How do the concerned parents actually get through that block, if you will, to look at some sort of choices? Is that the accountability contract, or is that something different that they're going to focus on?

Hon. C. Clark: It can be in the accountability contract. We can specify in a contract. Every contract will be different for different school districts. They'll all be individualized. We can put in the contract: "What is the range of choices you're providing today? What's your goal to provide more choice next year, the year after and the year after that?" That could be one of the elements in an accountability contract.

We're encouraging school boards to discuss the accountability contracts at public school board meeting so that parents will be able to have input into that process as we're building the accountability contracts. If parents feel the choice that is currently available in their district is limited, then I hope they'll encourage school districts to include that in their accountability contract as a goal for improvement.

I should also add that one of the other problems that school districts have had in providing choice hasn't just been that school districts haven't wanted to provide it. In many cases, they've been stymied by barriers that have been created by the ministry itself. We've put in place all kinds of rules and regulations that make it difficult to provide choice.

Here's a good example. Year-round schooling is something that is attractive to some parents - probably not many kids - depending on what kind of jobs they have. Some teachers, too, would like to work in a year-round school environment in which you get the same amount of holidays, but they're spread throughout the year. That's something that's not allowed in our system, partly because the Ministry of Education has rules and regulations that say the school year will start in September and end in June, and the school day will start at 9 a.m. and end at 3 p.m. That makes it difficult to offer that kind of choice. We are going through this very long process of identifying all the barriers in the way of providing choice, and we're going to try to get rid of those so that school districts won't find it difficult to respond to parents' needs anymore.

Hon. G. Campbell: Gord, and then Joyce.

Hon. G. Hogg: Thank you. Christy made reference to our curriculum in British Columbia and how high a regard it is held in around the world. I've recently read about Ontario expanding its e-learning and looking at marketing its curriculum in different parts of the world, like New York doing that. Some of the private agencies are getting into looking at their curriculum. Are we looking at the potential that exists economically for our curriculum in terms of marketing it worldwide and the potential that might have for generating income here?

You made reference to students coming over here. The second question is: do we need to rationalize that? I understand we have school districts that are competing against each other for students and in many cases sending representatives to different parts of the world to try to compete to bring students here. Do we need to rationalize that, or is that something that is healthy in terms of the competition between school boards?

[9:55]

Hon. C. Clark: Well, I think school districts should be encouraged to be entrepreneurial and to compete and to try to be the best that they can be. I think there's a lot to be said for competition in terms of improving school districts' outcomes. I think the Ministry of Education, though, can provide some real leadership in assisting them in their marketing. Other jurisdictions do this full-on, and we haven't been nearly as aggressive about it. We've been pretty lucky about the fact that our geography is such that we're close to and familiar with many of the Asian markets. We've got a leg up in that respect, but we haven't worked particularly hard as a government to try to promote our curriculum overseas. That's one thing.

The other thing, though, is not just bringing students over here. It's taking our schools over there. We've got one school in China, and it is remarkably successful. It's just an absolutely tremendous facility. It's run over there by a Canadian citizen, and it's run as a private enterprise. We go in, we monitor the standards, we make sure that the curriculum is being met, and we allow them to grant

the Dogwood Certificate. They've had to limit their growth to doubling in size every year. That's how they're limiting their growth - right? The demand for it is huge. It was named the No. 1 model school in the province by education officials.

They are begging us to go over there and open up some more schools. That's something that we should, I think, get on to as quickly as we can to get into that market as much as possible, bring that money back for British Columbia students and reinvest it in our education system.

Hon. G. Hogg: I think the competitive edge that we have with respect to our curriculum may be lost in terms of time as these other jurisdictions in North America are getting into that. So, I'd really encourage you to look at the potential that exists for us to move into those areas, whether it's through e-learning or setting up schools in other areas. I think we have an advantage with respect to our curriculum, but time is eroding quickly in terms of our ability to exercise that.

If I just may, one other question. You made reference to student achievement, which I totally endorse in terms of the way to go. The references you had for that were internal reference points in terms of how we judge performance improvements against last year's performance and how it moves. I understand the Council of Ministers of Education of Canada has some external references and that the OECD countries have done some external references as well. There are some comparisons in terms of how our students in British Columbia are doing in different subject areas at different grade levels as it compares to other provinces and then as it compares internationally. In terms of the achievement reference points that we look at, I hope we're not just looking at how we're improving here, but it's because we want to be internationally competitive that we need some reference points and ways of judging how our performance exists not just internally but against other provinces and against other countries.

I trust there are some reference points there that we can start looking at in terms of the achievement improvements.

Hon. C. Clark: Yes, there are, Gordie. I want to say this, though. It's important that we have consistent comparators inside the system. We need to be able to compare ourselves to ourselves, as much as possible, as well. I think those will always remain the most important benchmarks that we'll use. But certainly we do need to look at how we are doing compared to Alberta, Ontario, New Brunswick, France - you name it.

Hon. G. Campbell: Joyce, followed by Sandy.

Hon. J. Murray: Christy, I'd like to ask a few questions about the funding formula. Do you have any outline for us as to how that's going to work, and do you have a time frame by which it will be complete? Can you tell me whether school boards will be able to input into the funding formula? I see that it's going from complex to more understandable. I just want to know whether you've considered, in a school district that has more students with special needs.... Will that be taken into account in the funding formula for that school?

Hon. C. Clark: Yes, the formula will, as much as possible, be population-based, but we'll also be looking at the needs of the specific population as well. Those factors will remain in the formula.

My direction from the Premier was to create a funding system that is population-based, transparent, comprehensive and understandable. So we're working on it now, Joyce. All I can tell you about the way it's going to look is that it's going to be much, much simpler. It's not going to have nearly the number of formulae and all the rest of the different things that we throw into the mix to figure it out. We haven't concluded how it's going to look yet. Our deadline for it, though, is February. That's when we have to have our grants out to school districts - February 1. We're working on it. We're not quite there yet. I will have an update for cabinet when we've got a draft of the funding formula available.

We are consulting. We're talking to school districts about how this would work on the ground. But again, it's very much a work in progress at the moment.

Hon. G. Campbell: Sandy.

[10:00]

Hon. S. Santori: Just a couple of points. Over the past several years a lot of school districts have had to make some difficult decisions in terms of closures of schools, etc., and to find efficiencies. Yet, in the past there was really no incentive for boards to find economies and to reduce expenditures because, at the end of the day, the more you reduced and the more efficiencies that you found, the

only body that gained from it was the province itself. The difficulties I'm sure a lot of people have experienced in rural British Columbia are that you make these difficult decisions. The school boards are telling parents that we're making these tough decisions to improve the school system and to provide better services, yet that has not been made possible.

I guess I'm asking: with the strategic shifts, are school boards going to be rewarded with these difficult decisions they're going to be forced to make so that they can go to parents and say: "Yes, we may close a school; we may consolidate some services. But with our savings, we are going to either improve services, buy additional or upgrade computer equipment"? I believe that right now, with respect to computers, it's going to take 60 years, under the current funding, to replace the present automation that we have. I don't think the incentive was there before for school boards to make difficult decisions, and we need school boards to make difficult decisions. They also have to see that they're going to be rewarded for those.

Just one other point, and that is the transportation and busing. I hope the ministry is cognizant of the fact that, as Bill says, one size does not fit all. We don't have public systems in rural British Columbia that can accommodate transportation of these children. The four-kilometre rule may sit fine in urban British Columbia; it does not work fine in rural British Columbia. I just want to continue to drive that so you don't lose sight that there are differences between the lower mainland and rural British Columbia.

Hon. C. Clark: Thanks, Sandy. I recognize that there are differences, particularly with the busing issue. The thing, though, that we need to recognize about busing is that the way we structure it now, there is little incentive for school boards to find efficiencies and ensure that they are providing their transportation services as efficiently as they possibly can.

What we essentially do with school boards is say: "Tell us what you need. We'll give you the money." That's not a very efficient way to account for taxpayers' dollars, so we are rethinking the way we might provide that service so that we can build some of the right incentives and the right accountabilities into the system, recognizing that it's a critically important service for people in rural British Columbia in particular.

We are trying to build incentives into the funding formula that will be the right incentives. Big inequities were built into the funding formula over the years. For example, the provincial collective agreement ended up rewarding school districts that hadn't necessarily made all the right decisions about where to spend their money and penalized school districts that had made the right decisions about where to spend their money. Those kinds of inequities have been layered on and layered on in the funding formula and have built in exactly the wrong incentives. What we are trying to do, in revamping it, is take those inequities out and make sure that the right incentives are built in.

Hon. G. Campbell: I have one last question from George.

Hon. G. Abbott: Thank you, Premier.

I want to address the flip side of your suggestion that sports might be one of the features in magnet schools. I think that might be a very good possibility, for example, in the lower mainland, where there's sufficient population that that might be possible. In some of the more rural school districts, we occasionally see the flip side of that, where things like basketball and volleyball will be common even in very small schools. But often in school districts only one school will be able to offer, for example, football or field hockey or some of the less common kinds of sports. In those instances there are some barriers to kids being able to participate in sports programs that aren't in their own schools but maybe in a school 20 miles away.

A lot of those barriers are actually ones that are in place in my ministry. I'm presuming you wouldn't have a problem with trying to eliminate those barriers. How would you see addressing that problem in rural areas, which really is the flip side of the magnet-school thing?

Hon. C. Clark: Well, we certainly have to work with school districts to make sure that they understand there's a problem on that. That's not something I've heard from school districts a lot. It's not something I've heard from parents a lot, either. But if it is a problem out there, it's certainly something that we can encourage a debate on with school districts and do some consultation about. I suspect that there are barriers in the ministry to allowing that to happen. Again, that could be part of our look at our rules and regulations.

[10:05]

I want to say something about sports schools that was pointed out to me recently. Aboriginal students are often amongst the most accomplished athletes in British Columbia. You will often find that first nations students are not participating in sports teams in schools, for whatever reason.

It might be an idea, for example, to have a school that focuses on sports in a place like Prince Rupert or somewhere like that, where there's a large concentration of first nations students who might be motivated to participate in school because of the specialty programs that are available there. At the same time, it would encourage them to increase the graduation rate for those kids, who are really not graduating in very big numbers. So there is an example in a district outside of the lower mainland-South Island where a sports program might be very, very attractive for a whole bunch of other different reasons.

Hon. G. Abbott: Thank you.

Hon. G. Campbell: I just wanted to say one thing about this, and that is: the aboriginal graduation rate is appalling. I think all of us have got to understand, as we've said before, that this is the best preventative program we have. It's the best economic development tool we have. That's true for every single British Columbian, aboriginal and non-aboriginal alike.

I sure hope that we are going to go and work with those aboriginal communities. Clearly, whatever has been imposed from the outside on aboriginal communities has not worked. It's not fair and it's not right, and we've got to try and fix that. We also have to raise the overall graduation rate.

We've had some, I think, very good discussions with some of the members from the first nations with regard to some of the goals and objectives that they had set for themselves. I really do think we have to work and focus on trying to raise that up. I recognize that takes extra time and extra effort, but I think in the long term there will be huge, huge positive benefits for us in British Columbia if we do that.

We have a request from Christy to approve the strategic shifts which are outlined in the presentation and also to approve the ministry's core services. Any further discussion? Consider those approved. Good presentation, and good luck.

The next report's coming from Judith with regard to the Ministry of Transportation. Judith.

Ministry of Transportation - Strategic Shifts

Hon. J. Reid: Thank you. I want to begin this presentation by getting you to focus in on transportation. I want you to imagine someone at work who is actually working out of their home - say, someone who has an Internet business or is working over the Internet. Think about the importance of transportation to that person.

That person's food comes through transportation systems. That person's lumber for their home might have come over the railway, might have come through barges. That person's computer was delivered over the highway system. Their children go to school over the transportation system. They access health care over the transportation system.

Their ability to be competitive in this province and their cost of living are dependent on the transportation system that we offer. Transportation links us all together, and transportation is an economic driver in this province. We're not going to be able to be competitive, and we're not going to be able to realize our economic opportunities, if we don't have a great transportation system.

In British Columbia we have a vast transportation system because of our location. We include a rail system and the roads, obviously - highways. We also have a marine system - not just ferries but to the ports of the north as well as the lower mainland. We have the air system. All these systems come together to move the goods and services that we need as a province.

In this presentation today, I think I need to start off with what I'm not going to be talking about. The Transportation ministry includes the Crowns responsible for transportation, which are B.C. Rail, B.C. Ferries, B.C. Transit and Rapid Transit Project 2000. Those Crowns go through the core review process separately, so while they're absolutely integral to our well-being and our economic well-being in this province, today's presentation is concentrating on the highways portion of transportation. While we're looking at the highways portion, we're also keeping in mind that broad picture that we do have to integrate with transportation.

[10:10]

Goods and services in this province have to move efficiently to allow us to be competitive. That should be a given, but unfortunately our systems aren't necessarily working that well. Provincewide, we have to have a network of corridors that allow the movement of goods and services to their markets, whether they be regional, provincial or international. As well, in the ministry's goals we need that combined system of rail, ferries, air and roads. They work together to support the economic growth that we need.

The road system is actually more diverse in British Columbia than people realize, and I think it's worthwhile to take the time to point out how the responsibility for roads is divided up in the province. Ministry of Transportation has responsibility for approximately 41,000 kilometres of roads; Ministry of Forests, 45,000 kilometres; municipalities, 23,000 kilometres; the federal government, 1,500 kilometres; and private industry has 120,000 kilometres. There are many levels of government involved in roads, but the portion that the ministry is responsible for - the 18 percent of the road system that falls within the jurisdiction of this ministry - actually carries 70 percent of the traffic. Again, the provincial part of this system is absolutely integral to everything that we do as a province.

I'm proposing that the mandate of the ministry is to be responsible for an integrated plan, for a multi-modal system. We do have the road, the rail, the marine and the air. Unless that works together, we're not going to realize our economic opportunities and increase our economic competitiveness. As well, the province is responsible for the highway system, moving the goods and services - the corridors that we need. It's responsible for looking after it and improving it. The province oversees the maintenance of the rural, regional and highway road system. That's within the province's mandate that would be, you'd think, self-explanatory. Really, it's important that we are very clear on what our role is.

We do have challenges in being able to accomplish this - being able to look at new opportunities for development in British Columbia. Part of the challenge is the way the budget for this ministry is allocated. Over half of the budget of the ministry goes to debt servicing and amortization. That cost is a fixed cost. That cost increases as new assets are put into service. Those aren't discretionary funds; those are paying for what we have.

Then the next largest portion of the ministry's budget goes to maintenance. Most of the maintenance of our road system - the incredible asset that we have - is delivered by private contractors. Obviously, that's an incredible priority. The asset that the province has in its road system is valued at approximately \$70 billion. That is an incredible amount that we have to protect, that we have to look after and that we have to care for.

[10:15]

Next in the budget is the ministry operations. We have regulatory and statutory responsibilities, transportation planning, the regional and the district offices, the grant programs and the corporate services. Then there's another portion of the budget that's separated, and that is the funding for the transit subsidy. Within that budget, we are still looking at how we're going to accomplish the goals of seeing improvements made to the transportation network that B.C. has.

This brings us to the strategic shifts, how we're going to accomplish these opportunities and how we're going to move ahead. We do have improvements that have been clearly identified all over the province. These improvements will enable us to increase our economic competitiveness and support new or growing industries. We're looking at these opportunities, and we're constricted by the amount that the government has in a given year to be able to fund that. In order to improve that infrastructure and increase our economic opportunities, we have to find the best way of using the dollars that we have. One of those ways is to change the way that we're making decisions in this province about where we put our dollars. We're going to have to make some shifts, and I'd like to present those shifts to you.

The first shift is in the decision-making and how we get the very best use of our taxpayer dollar. In the past it's been the ministry - it's been Victoria - that's made the decisions on where the dollars were going to be spent on road infrastructure and road improvements. This has sometimes resulted in regions saying that we've lost opportunities or that we have not been spending where the regions have identified their priorities as being, so we want to create a shift here. We want to go from the ministry being the sole decision-maker to communities having direct input in those decisions.

We have said that we're going to have regional transportation authorities. We're going to work towards that goal by starting with regional transportation committees. As we have a very diverse province, different needs and large regions, we're looking for a way to effectively gather their input. We're proposing that the committees in regions will make a list of their priorities, working with us,

where the ministry provides the information they need to be able to assess the priorities, and that the ministry will follow those priorities that the regions set out within the capacity of the budgets that we have. That will be the first shift that I'm going to be asking your approval on.

The result of this is that we're going to get the very best return off that investment. Often, it's the people in the regions that are able to identify where those areas are and where those needs are, where those bottlenecks might be, where the safety concerns are, where the trucks might be having their greatest problem.

The second shift that I've brought before you today is with regard to infrastructure and increasing our infrastructure. In the past it has been the ministry that has been the funder of infrastructure in this province to the greatest extent, and there has been little successful movement in looking at alternatives. But we have great opportunities before us. I've had many mayors from all over this province.... I've been thinking about the different people that have approached me and said: "Would you consider private investment in this particular area for this particular reason, because we want to move ahead quickly with our infrastructure needs? We see that there's a great advantage here if we can provide this road, this bridge - whatever it might be - and we don't want to wait until the province can fund it. We'd rather have it sooner and enjoy the economic benefits from it now rather than later."

In order to do that, I'm asking that we look at encouraging private investment in highway infrastructure in this province. I've had many people approach me who would like to invest in the province. I think there are really good opportunities all over the province to realize new investments and new economic opportunities. So I'm bringing that before you today and asking that you take a look at that and consider that for your approval.

[10:20]

The third strategic shift is also to do with the best use of the taxpayer dollar. It also is to do with our economic competitiveness. We have all these different modes of transportation: the rails, the roads, the marine and the air. They work fairly independently of each other. Yet, the multi-modal connections that they have to make are often inadequate. As we are a gateway province bringing goods from all around the world into North America through our ports, whether it be Prince Rupert or the ports in the south of the province, and distributing that all over North America and - the reverse - collecting goods from all over North America and shipping them out through our province, it's very important that our modes work well together.

In order to get, again, the competitive advantage that we need, the province needs to be responsible for an overall integrated plan and work with the different areas of transportation to implement that plan so that we do get the economies that we need, so that we can improve our systems and we are making the best use of those investments being made in the province. Looking at one strategic, integrated transportation plan will be a shift for this province and a shift for the way the ministry conducts its business.

When we look at the province and the diverse needs of the province and look at the opportunities - whether it be the northwest corridor that is looking at more efficient ways of attracting attention to the benefits that it offers, whether it's looking at the Kootenays and the border corridors that they're looking at and are concerned about, whether it be the lower mainland congestion problems - all these represent opportunities for us. If we approach this properly, we can really maximize those opportunities all over this province.

The three shifts that you have before you, again, are the local input, setting the priorities; the private sector involvement and investment; and the one strategic, integrated transportation plan that will allow us to achieve those efficiencies. Coming out of those shifts, then, the conclusion is what the core services of this ministry are. The core services, then, come down to the maintenance of the roads and bridges - maintaining the investment that we have - and encouraging the private sector investment to be able to add to our infrastructure that exists and be able to do it sooner rather than later. Obviously, the province still has the role in improving the transportation infrastructure that exists. We're constantly looking at the safety concerns, looking at the bridges that need to be replaced, the corners that need to be straightened, the deterioration that takes place. Last of all, part of the core services would be the strategic transportation plan and working with the different modes of travel to integrate that plan and to achieve that.

In conclusion, I want to again stress the importance that transportation plays in the economic well-being of this province and to say that we have a lot of opportunities. We have industries that are growing in British Columbia; we have industries that we want to revitalize. We do have a very active

transportation network linking up the different modes of transportation as a gateway to all of North America. We need to realize those opportunities by being wise in our decision-making.

I'd like to request your approval of the mandate that I've presented to you, the strategic shifts and the core services that result from those shifts. I put that before you today and will gladly take your questions on it.

Hon. G. Campbell: I've got Mike, Sandy and Bill.

Hon. M. de Jong: Thanks, Premier.

Judith, two questions. One is straightforward. Have you got a sense of the timing around establishing the regional committees?

[10:25]

Hon. J. Reid: We already have in the province some regional committees that have been at work. We've already started this process. We've started talking with different regions about what their needs are and what they see, so the process has started. We're looking, as we develop our service plan that we'll be presenting early next year, at having a time line that we'll be able to let people know. I expect that by the middle of next year, we should be able to have these committees established.

Hon. M. de Jong: Thanks, Judith.

The second question may be a little more complicated. I'm looking at your slide, "Core services." At the top of the list is reference to maintaining roads and bridges, which probably seems pretty straightforward. The question that arises for me, and I think it's a big question for the government and for the ministry, is: which ones?

I have to tell you that it has made an impression on me over the last couple of years as I travelled around this province, the number of communities, particularly in the north - aboriginal communities - that you can't get to. You can't drive to them. On the other hand, we do maintain roads that take us out to someone's favourite fishing hole.

The only reason there's a difference is because the government never maintained the road to the community I referred to, but there is a history of maintaining the road into the fishing hole. It is for us, I think, a question of priorities. So what is the test? It may be that we are constrained by financial limitations. But when we say a core function of the ministry or a core function of government, is it unreasonable to say that we would set as an objective to ensure that there is a road that isn't reliant upon the fact that there might be mining, forestry or commercial activity to a community?

We get into it because, of course, we try to find ways to shift responsibility within government for the cost, and that's a discussion we have to have. I think the people that are sitting in Fort Ware or where I was among the Ditidaht say: "We don't care how you guys do it as government. We don't have a road to our community." Is it an unfair expectation that before we do a lot of the other things, we at least try to establish a test for when we think there should be a road?

Hon. J. Reid: That's a really good comment, because it is a struggle that we do have, not only in this ministry but in the government, to provide services to people. We obviously have the infrastructure that exists that we have to support, because if we lose that investment, it will cost us an awful lot more to regain it. That is definitely a core.

We've had the discussion, and I have set up a process to continue the discussion. We do have remote communities that sometimes have been serviced through industry roads or sometimes Forestry roads that will no longer be maintained. We have to find a way of providing the best service we can to the people for the available budget that we have.

This is one of the reasons why I'm asking for the permission to allow private investment in infrastructure in B.C., because this enables us to take those dollars that we have and be able to turn them to make some of those decisions, choices and improvements. We do need more infrastructure and better infrastructure, and that is a responsibility of the ministry. We have to work between ministries to achieve that, and we're also looking for ways of generating dollars, to free up dollars, to put into that.

Hon. G. Campbell: Sandy?

Hon. S. Santori: Just a couple of questions, one with respect to the shift in going from taxpayer-funded projects to private sector. How does that fare in terms of establishing priorities? In other words, are those private sector projects going to take priority over those in communities that have roads needing to be built, which for private investment is not going to be as attractive?

[10:30]

If they cannot attract private investors in rural British Columbia, for instance, and some of the more remote but still critical roads... Will those projects, which have been deemed a priority to get private investment, be given priority in each and every case? Where do we draw the line between one of safety, need and economic development versus communities that can actually attract private investment? My fear is only that - and I'm not suggesting that it is - if private investment would always be given priority, those other roads that are not as attractive will never get the attention.

Hon. J. Reid: Sandy, the very reason why I'm asking that we allow private investment is - again, in response to the previous question - to allow us to have dollars freed up to be able to invest in these areas where it doesn't make sense, where you can't have the private investment. Obviously, when we're looking at a great number of needs, if there's private investment that's interested in a certain project, it doesn't mean that it gets our priority. It means then that the private investment can do it. We can turn our attention and our priority specifically to the projects that the regions have identified as having a need. It frees up our priority list and our dollars to be able to focus in on those areas. It's to improve the overall delivery.

Hon. S. Santori: The second question. I know what the problem is; I don't know what the answer is. Over the course of the last ten years as we've seen the abandonment of rail, the trucks seem to be getting heavier and longer and larger. It's putting a considerable amount of stress on municipal roads as well as provincial roads, which in turn is creating significant cost in terms of maintenance - only because of the size of the trucks that are out on those highways. Have

you come up with some magic answer? Number one is safety. The other issue is the cost of maintenance both on the municipal side as well as on our provincial roads. Are we looking at alternative means of transportation? Is there a likelihood that rails could be reactivated? Are there incentives out there where we could encourage private investment maybe to look at getting back on rails as opposed to these huge 75- and 90-foot monsters out on the freeways and highways?

Hon. J. Reid: Rail is very much alive and well in this province. We do have a good rail system. It does serve the province exceedingly well. There are a lot of roads in this province that weren't built to withstand the loads that they're now being subjected to. In some of those areas, we have problems - particularly up in the Peace - with roads being deteriorated not just through traffic but also weather conditions. There are places where we can look at industry to help with those problems. That's part of encouraging private investment. There's no reason why we can't look to industry to participate where it's also going to be an advantage to them to have roads that serve their industries well. We're looking at being able to do that.

Obviously, the solutions.... There are different opportunities as we go further in our planning and look at the strategic plan. Another reason we're bringing the shift before you today is to integrate with the rail, with the road system, and making sure that we're looking at what the obstacles are in the way of being able to achieve that efficiency and work together to be able to promote that.

Hon. G. Campbell: I think, Sandy, the question actually reminds me of why it is so important that we move to a strategic plan. I recall that the previous government decided that they were going to make a tax policy that would benefit rail. Their tax policy was to download the costs onto municipalities, homeowners and small businesses. One of the opportunities we have is not just to create a broader strategic plan that services the different regions of the province. Also, when you try and bring in local communities to begin with in looking at how you execute that strategic plan, I think you have a much better chance that you're going to actually get the transportation system that you need.

Bill, followed by Rich.

[10:35]

Hon. B. Barisoff: My question to Judith is on the local inputs and with the regional authorities that you're talking about. I'd just like to know how big those regional authorities might be and how you expect that they would be funded. I guess it comes back to the rural part of it again. Cabinet ministers from the rural part of B.C. are always concerned about how that funding will take place versus the lower mainland.

How big will those regional transportation authorities be, and then how would we look at funding? How would they make those decisions? Where would they be getting the money from to make the decisions on what they're going to do?

Hon. J. Reid: It's so important to have regional input in the planning process and the spending of dollars. We had a couple of options.

One would be to take a step back and try to formulate a very detailed plan about transportation authorities. Considering the differences across the province, the different regions, that could take some time.

The other was to start a more informal process to get regional transportation committees up and running that perhaps have a narrower mandate to start with, but we can start sooner and get the information that we need.

The initial proposal here is to have transportation committees. We're looking at approximately nine regions in the province, following economic regions. We still have work to do on that as we develop this. If I get the okay today, then that's work that I have to go out and do: to ask those different regions, those committees, to take a look at their region and identify the priorities. What are the blockages for their economy? Are there projects they could see that would benefit them? Are there projects they could see that they would like to have a private investment in? Where are the rehabilitation projects that they're most concerned about?

Initially, we will have to take what their priorities are and fit them with the ministry's budget. We'll provide them with the information as to the costs of different projects and ideas that they have, so we can work together. Initially, we're starting off with a reasonably informal process that will start producing the information that we need in order to make those good decisions, those regionally accountable decisions. As you say, one size doesn't fit all.

The other concern that I have is the province imposing a formula on regions to say, "This is how your regional transportation authority is going to work," when there are differences through the region. I want to make sure that we're listening to them as we work on this process and develop it over the next few years, so we'll get something out of it that the regions are going to be happy with.

Hon. B. Barisoff: I guess my concern, Judith, is that with the limited amount of funding that the Ministry of Transportation has right now, we're creating these regional authorities. Do you envision that they might be able to increase a gas tax or say, "We want a toll highway," or whatever they might want to do? My concern is that we want to put these regional transportation authorities out there and say: "Here's what you can propose, but guess what. There's not going to be any money there to do them."

I know that when we met in the Okanagan with our local mayors, the first questions they asked us were: "Are we going to have some authority? Say, could we put a toll on the Kelowna bridge, or could we have some of the toll money from the Coquihalla, or could we put a gas tax for the Okanagan?" - these kinds of questions.

My question to you is: do you envision something in the future that will allow these regional transportation authorities to have that ability to make those kinds of decisions?

Hon. J. Reid: I envision that we're going to move in that direction. To start there is going to be difficult, because I've just come to you today asking for the permission to look at private investment. We have a lot of work to do, looking at the benefits to the people of the province and how we're going to analyze those benefits. I don't want to get ahead of the process and set up expectations on the part of different regions.

We want something that's going to work well and that will coordinate well with our activities. We're here to support that economic development in the regions, not to stand in the way of it. We want to work with those regions. Some regions have expressed concern that they don't want the very thing that you're talking about. Other regions have been very keen on going further in the process.

[10:40]

That's the reason we're going to start informally. We're going to start working with the regions, and we can move ahead. It doesn't have to be everybody moving ahead at the same rate. We can work with different regions and individualize their plans and their needs, and with their cooperation get where they want to be.

Hon. G. Campbell: I just think that is such an important principle for us all to understand. The tendency around the table is to think: "Let's find the one answer, and we'll impose it." The issue is to try and get the result you want, which is a good, strong transportation system that's integrated and makes sense and reflects the needs of the different parts of the province.

There may be different structures; there may be different arrangements for regional transportation authorities when we're finished. I think there is no end of examples of where the province goes and says: "This is how we're doing it. Thank you very much." That doesn't work - whether it was the county system that was done a number of years ago, whether it's what the boundaries were for school boards, what they were for the 52 regional health...this, that and the next things that we have.

I think that what we're trying to do, in terms of principle, is say: "Here are the principles that we're going to pursue." I understand that you're saying: "Can I have permission to go and pursue them so I can come back with some recommendations?"

I think that's a very important principle which we have to remember as we go through this. I don't think you'll find that the regional transportation authority on northern Vancouver Island is exactly the same as it is for the lower mainland, for example, or for the Kootenays. I think there are just too many differences. Is there one for the Kootenays, or is it for the East Kootenays and the West Kootenays? Or is it for Highway 3, which connects the East Kootenays and the West Kootenays to the rest of the province? Those are things that I think we have to really go to work with the local authorities to try and establish how to make the best decisions across the province.

Rich, followed by Dick.

Hon. R. Coleman: Thank you, Premier. Since Dick is following, I won't bring up the roads in the Peace today.

Hon. G. Campbell: Excellent. I want to let everyone know that normally it's Rich that brings up the roads in the Peace.

Hon. R. Coleman: Judith, I just have a quick comment and a question. The comment really has to do with that I hope in your strategic shifts you're moving away from your ministry's staff competing with the private sector in portions of projects that are tendered out, relative to highway construction or electrical work or that sort of thing. As you want to attract private investors, they need to know what type of playing field they're playing on as they do their specs for you and as they go out to do the work - to not know that they could lose a piece of the project because somebody wants to hive it off to staff within the ministry.

My concern, though, is looking at the vision for your ministry and touching specifically on the fact that Transportation employs 110,000 people. I don't know whether you did this in your core review or not, but I'm concerned that there's a portion that isn't here for you, a portion that deals with how we move goods and services in the province on those highways, what the weights are and all that - that all sit in a place called the motor vehicle branch, which are not in your ministry. They are somewhere else. I believe that these things should be together. I'm wondering, when you went through your core review, whether you actually had a look at whether your ministry should bring that back to Transportation and Highways relative to this or whether you're going to be looking at that specific thing, because it affects every trucker and everybody that moves a good or service in the province.

Hon. J. Reid: Yeah, I appreciate your comments. There are the motor vehicle parts that I'm responsible for with regard to legislation, which actually reside under ICBC and directly through to the Minister of Finance. It's a very awkward arrangement. As we're looking to improve regulations, as we're looking to make it easier for people to conduct business in the province, we are putting forward a proposal to be able to consolidate the motor vehicle and the regulatory part of Transportation. Because it is under ICBC, it's going through that core review - to look at it. I'm sure the core review will be asking those questions of where it should reside. I think it does need to be consolidated, and I think we can get improvements with regards to regulations and standards by doing that.

Hon. R. Coleman: Thank you.

Hon. G. Campbell: ICBC were pretty clear that it was something that they felt they were doing for us. I think they estimated the cost was about \$150 million. We said that was something that would be part of the core review, and their core review is coming in, I think, in January.

It's a critical component. They were dealing with it as maybe a hidden dividend to government. On the other hand, the question is: how do you do it best? And where should it actually be located so

people can see where the real costs are? That will be part of what their review is.

Dick?

Hon. R. Neufeld: Thank you, Premier.

Hon. G. Campbell: Peace River North - right?

[10:45]

Hon. R. Neufeld: You got it.

I want to thank you, Judith, for a good presentation. I don't envy your job one bit with the money you have to operate with. The demands that are put on your system are huge. It's great to see some of the things that you've talked about in your core review. I think that at the end of the day, they will probably work better for everyone so that we can all have a look in the different regions - how we should actually look at roads.

I am interested in the core services and what that really means a little bit further than just here. It says "Maintain roads and bridges." I take that as maintaining every present road and bridge in British Columbia to a certain standard that would meet Highways standards. If that's correct, then when we go at some point in time and transfer responsibility someplace down the road to regional authorities, will those roads and bridges be brought to a standard that they should be at today - and many of them aren't, for the traffic that's on them - so that those regional authorities actually can start at a fair place to go forward, rather than being so far behind the eight ball that it isn't funny? Is there some movement...? Is there some thought in Highways minds as to how you're going to maintain roads and bridges? That's a pretty broad statement - that 42,000 kilometres of roads and thousands and thousands of bridges will be brought to a standard that's sufficient to meet the traffic requirements, and then there will be some other entity to take it over. To think that - I'm going to talk about my area - you can take the road tax and fix up a mess that's been there for 30 years is Technicolor. It's not real. If I can somehow be assured that you're looking at those kinds of hard-core things, and then we start the transfer, I'm happy.

Hon. J. Reid: Two comments in response. One is that it's true that expectations will always exceed available budget. There are always decisions that have to be made, and this is one of the reasons it's so important to get the regions involved sooner rather than later. I did meet with the task force from the Peace area and did get a good indication from them of where their priorities lie. We can build on the work that's already been done there. We do have to prioritize. We do have an inventory across this province of the state of repair of different things, and we do have to say what's critical and what can be done at what different stage and time.

I think, with regard to the authorities, that you're getting a little ahead of the ministry. Right now we're looking at these committees that will help us determine these priorities. It might even be priorities with regard to some of this rehabilitation work and how we can best maximize the value out of it for the region. I don't know what the future holds. I don't know what those authorities will want to do in the future or what active role they will want to take on. Right now the ministry is looking at working with committees to assess these priorities to make sure that the money we have to spend is being spent in the right areas. We will have to look in the future at where the regions themselves believe that this should be going.

[10:50]

Hon. R. Neufeld: That doesn't give me a lot of comfort, to be honest, Judith. The "maintain roads and bridges" is a core service. There is a standard. Pulling school buses with four-wheel-drive farm tractors in the springtime is not the standard that I assume we think should be standard in British Columbia. If there's a movement, I'm not going to belabour it anymore. I know expectations will always outstrip the money. That's a fact of life. I know that people where I come from would just like to see some decent road - some of it - that's brought to a standard to handle the traffic today.

The trucking - Sandy brought up that portion of it. That is in fact real, and it's true. You know that as well as I do. There are huge trucks on many of our roads. The way we build them now.... Let me give you the standard in the northeast: it's no shoulder. It's the only part of the province where you're allowed 16-wide loads on the highway. The highways have no shoulders. They fall straight off at the edge of the shoulder. Those are the kinds of things I'm thinking that Transportation has got to get its mind around. Maintaining roads and bridges means bringing them to a standard that should be for today's traffic. That's great.

You established a strategic transportation plan, and that's a super-good idea. I think it's great. When we look at that, we're looking at transportation plans that facilitate the whole province. Access to ports, you talked about - right? We're talking about cross-jurisdictional - provincial and territorial, I would assume. Any of those jurisdictional roads that cross borders into other territories or provinces would be part of the strategic plan.

I hope that there would be a strategic plan that would look at accessing some of our provincial facilities. That means hydro dams. Some of the things I've seen.... There is no provincial responsibility for a road to access one of our largest hydro dams in the province. Would that be part of the strategic plan you're talking about - that we're going to actually look strategically at those things that we have to look at so that we can access them and keep roads into those facilities that provide a huge benefit for all British Columbians?

Hon. J. Reid: Part of the strategic plan has to do with regions. It has to do with their priorities. It has to do with the different modes and how they connect. It also has to do with the different ministries of government and the priorities they set out. There are opportunities for economic development, even as you have identified within your own ministry. A plan isn't for the past; a plan is for the future. It's important to identify those areas and identify the shortcomings and devise the process that we're going to use to get where we want to go. It encompasses all of those things and more, so that we're actually achieving the goals that we set out.

Hon. R. Neufeld: Thank you, minister. I appreciate those responses, and I can commit to you that I'll work as cooperatively with you as I possibly can to make sure that we get done what we have to get done. You'll notice that I was the only one who said that.

This is not a matter of trivia, but the federal government, you say, has 1,500 kilometres of road responsibility in British Columbia. I know where about 900 of that is in my constituency. Where do the other federal responsibilities in the province lie? Do you know that?

Hon. J. Reid: Yes. In the roads that go through the federal parks.

Hon. R. Neufeld: Okay.

Hon. J. Reid: Some of them are in very bad shape.

Hon. R. Neufeld: I should talk to the feds.

Hon. J. Reid: The other comment I'd like to make is that we do recognize that rural and northern roads have great requirements. We're going to be focusing our resources on that. Now, again, I include that as part of this. It's part of our election platform, and it's part of our integral understanding of what the road system is in British Columbia. What I've presented today is the shifts that are different for the ministry in order to be able to accomplish these goals.

Hon. G. Campbell: Okay. I don't think there are any more questions. I think the shifts make a lot of sense, and I think Judith did a great job. Thank you very much.

The next item on the agenda is the Ministry of Skills Development and Labour. Graham.

Ministry of Skills Development and Labour - Strategic Plan

Hon. G. Bruce: Premier, it's funny. I was listening to Christy. This is not a big-budget ministry. I was looking at her pie chart there, and my budget in this ministry wasn't even in the category of the smallest sliver on her pie. It's very small. However, it has a very huge impact on the economic well-being within this province.

It really is a ministry of relationships, when you think about it. You've got the big business and union relationships; you've got the employer and employee relationships. You know, it's funny. As I've started on this process and gone around and met with different groups - union leaders, business leaders, employee groups and associations and employers - everybody wants to be able to offer all of the advice they can as to how best to develop that process of keeping things in order here in the province.

[10:55]

I've assured them all - and I'll assure you too - that all the advice I'm getting comes from very good hands. The night I got home after being sworn in as Minister of Labour, I had on the counter in my

kitchen, on a piece of foolscap, a scratched-out letter in the handwriting of an 86-year-old, who happened to be my father, advising me of how best I should go about doing this task.

Just so that you know his credentials and where we're getting all this advice from, he still works actively today in the family businesses. In his spare time he raises money for the Heart Fund - \$100,000 a year or so. Then, just to do something in the spirit of looking after people, he looks after old people in our community as well. Incidentally, if you don't know, his dying wish would be that the Boston Red Sox finally win the World Series.

Now that I've got that in, the little piece of advice that was written on the foolscap was: "You know, son, don't forget where you've come from." I come from a family that was born on the Island. Of course, Dad was born in Cumberland, and his grandfather was a coalminer. I didn't ever know my grandfather, because my grandfather died when Dad was 14. At that point Dad had to go to work and support his family, and then a few years later, when he was about 19, he moved down the Island here and started a small business.

You know, it was just simply at the end of the day a couple of words, "Don't forget," on that piece of foolscap. It's balance and it's fairness in what you want to do and how you want to proceed in regards to those things to do with labour in this province.

Now, as the Premier already knows, he gets free advice from my father from time to time. And as the Minister of Finance found out last night at a function that we had in Ladysmith, he's prepared to offer advice to the Minister of Finance too. So if any of you want to get on his writing list, I'll put it there for you so you can get on there.

It's important that we understand the relationship of business, of labour, of employers and employees in this province and how vital it is, if we're going to turn the economy around, that we keep all parties working together in a common interest. There truly are different interests in some aspects of things. It's turf, it's responsibility, and it's a certain degree of power obviously. But at the end of the day we need, as a government and in my role as Minister of Labour, to try and encourage those interests to see it from the standpoint that a good, strong economy provides good, solid jobs in British Columbia - and good, well-paying jobs. So it's a task.

In this ministry, of course, as most of you know, there are really three direct components and one indirect component. There's the employment standards and with that, the Employment Standards Act that really is there to protect the most vulnerable in our community. The employment standards branch is there to actually do the due diligence and the work during the course of the day-to-day operations.

The industrial relations part of this ministry is that part which really deals with the Labour Code in the province. That really is more along the lines of the collective bargaining side. Of course, the Labour Relations Board is there to interpret that and adjudicate, with one chair and 14 vice-chairs.

The skills development side of this ministry is at a very exciting time for us, I think, as we'll come to as I move through this presentation.

Of course, then there's the Workers Compensation Board, which is an indirect responsibility of this ministry. It's a really interesting time with the Workers Compensation Board. It would be nice if perhaps it had been in somebody else's ministry, but since it's in mine I'll deal with it, and that we will.

The vision of this ministry of where we would like to go is to develop programs that ensure that employees and employers and trade unions are treated fairly and equitably and that there is that very important balance in the workplace; that, obviously, these programs and those things that we enact contribute to our competitiveness and our prosperity in this province; that we encourage self-reliance in dispute resolution among employers and employees; that the programs that we do deliver here are relevant to today's workplace and responsive to the changing needs in the workplace. This is a very dynamic workplace from times past, and we need to make sure that our policies reflect that.

[11:00]

Where we are today and where we want to go. It would be my view - and I ask for your forgiveness if you think it's a bit partisan - that the fact of the matter is that for the past ten years, as far as I've been concerned, the attitude in this province has virtually been hostile to business, whether it is small, medium or large. We want to turn that around. We want to encourage enterprise. We want to encourage individuals to flourish and not find themselves hamstrung with rules and regulations that get in their way. We want to encourage people to invest in this province from outside, and we want to

encourage people that are here in this province today, of which there are so many that will invest in and expand their own operations.

In the old way, you would see this bureaucratic, one-size-fits-all - which is something we use in our conversation a fair amount here.... We want to turn that so we have a flexible, adaptive and diverse system in regards to our labour relations in the province. In the past the labour relations have really been big business-dominated - big business, big union - and that's changed dramatically because of how our economy is shifting much, much more in the way of small business and employer-employee relationships. I think it's really important to note - and we sometimes forget this - that the small business community in British Columbia represents approximately 57 percent of the jobs in this province.

Every government I can remember and every party of every political stripe always talks about the importance of small business to the economy and to our livelihood, to our communities and to employee relationships and jobs. Then governments have traditionally gone out and done everything they possibly could to thwart, get in the way of and basically put down small business. We need to change that philosophical stance of where we've been in the past to where we want to go in the future.

In respect to skills development and our job force, it used to be that we were in stable careers. A person would go into a job and stay there for many years. Now it's not. You'll find that people will shift their jobs two and three times. That's got to be recognized. In regards to employment standards and the workload challenges that we're faced with today, it's important to note, when you look at the workload of the employment standards branch, that it's through the actions or things that happen within the businesses of about 5 percent of the employers throughout the province that drive about 80 percent of the complaints that this ministry deals with. The employment standards branch part of this ministry is complaint-driven. That's how we go about doing those things, trying to adjudicate and look after those concerns that are expressed. More than 50 percent of the branch's time is spent on four sectors: the hospitality sector, the service sector, the retail sector and the manufacturing sector.

We want to make a shift in how we're dealing with these particular challenges that face us on a daily basis. In the old way, what we had was kind of a blanket coverage impact. It was there, and it was just right across the board. Where we would like to go is to see a more focused coverage in respect to the employment standards branch and what it is that we cover. I'm not so sure that the branch staff need to be involved in the professional side of our economy or perhaps in those that already have collective agreements, or maybe there's a threshold where people are earning \$60,000 or more a year. This part of this ministry is there to protect the most vulnerable. That's what its statutory responsibility is. I'm not so sure that we need to just simply have complete and blanket coverage and focus. So that would be one of the shifts that we're looking at.

In the past, the practice was prescribed. Things were prescribed. Things were laid out for what businesses had to do in regards to work weeks and shifts and hours of employment and so on. We think that in today's new economy, there's a much greater need for far greater flexibility in basic things. Perhaps today's shift -where we've been used to five eight-hour days - is four ten-hour days. Even beyond that is the ability for the employer and employee to reach an agreement about what would be best for them from the standpoint of the employee, who perhaps has a different lifestyle than we have seen in the past, and of the employer. They can work out their relationships and contractually agree to that. We think that if it's good for the employee and good for the employer, it's going to be good for the economy. We're there to try to make that happen and allow that internal development.

[11:05]

In regards to the enforcement side, in the past the government was there to enforce and many times did not enforce very well. What we see as a shift and a change here is in looking more to the peer-pressure concept. Many of the sectors have organizations. I happen to believe that most people in business understand the Employment Standards Act. I think there's very few who are in business that don't understand. "I've asked you to come to work for me, and I'm going to pay you X number of dollars per hour; here's the salary, and I should be paying you." In this society of democracy, we tend to give people the benefit of doubt on the first go. That's where we would look to in regards to the first step of enforcement.

The second step, though, is this. If it's the same employer with the same issues again, we would be shifting in that we would be looking to use the auspices of their employer group and also the industrial relations officer who may be responsible for that specific sector to try and bring a resolve and correct the situation that this particular employer's finding itself in. These aren't complaints;

these are determinations that are written that, in fact, there has been an abuse or an exploitation in this instance.

As far as we're concerned - and we want to get this message out loud and clear - it's the old three strikes and you're out. The fact of the matter is that as an employer, if you continue to run afoul of the Employment Standards Act and you know what that standards act is, we intend to hit you hard and to hit you publicly. In other words, what I'm saying is that the ministry would go in and do an audit. In most instances, we're talking about issues of payment. We're talking about whether or not there's been a dispute around whether you've been paid the amount that was prescribed or agreed to, or perhaps it's holiday pay. Those are the main issues that one finds themselves in. We intend to go and do the audit. The business will pay for that audit. With that, there would then be a fine, and we then intend to publish that particular business as one that does not fit the best business practices code that needs to be developed and held in British Columbia.

If you keep in mind that 95 percent of the businesses in British Columbia, or higher, are good employers... They need their employees. They need a good, amenable working relationship. We want to make sure that we don't develop policies that are out there, that are focused on the 5 percent that impact all of the rest of that 95 percent, when we're trying to get this economy turned around.

The other thing we want to make sure of is that some of those poor employers are not just using these particular things that they undertake and bringing it in as just a cost of doing business. It's a major shift on how we intend to go about it. Quite frankly, the business community as a whole doesn't want poor business practices in British Columbia. We've got a good business community. They, as much as anyone else, don't want the bad apples in their barrel.

There is an employment standards review currently underway, as was announced just several weeks ago. Just to refresh people's minds, as we go through that, we're reviewing the standards. They need to protect the most vulnerable workers. It's extremely important as a first point in what we're talking about. As the standards are reviewed and we go through them, they must be fair and effective and enforceable. It will deal with who's covered and what kind of protection in that respect. That review is on the website, and we're looking for public consultation and public comment and are looking for that to get back to us by the middle part of December.

In industrial relations and the Labour Relations Board, we need to bring on a new full-time chair. Stephen Kelleher has been a part-time chair. He's done a great job for us. He's looking to move on, so we need to get a new full-time chair in very quickly.

We want the relationship within the board to change - to become less complicated. We need to expedite the procedures. We need decisions that are written quickly and expedited, so they aren't prolonged. We have some that go well past the 90 days.

Then there's the whole appeal process, which is also under review with the administrative justice review, concerning those appeals.

[11:10]

Really, philosophically, we need to see a shift within the Labour Relations Board that sees the new economy. Often the larger businesses, the union situation - they have their human resources departments and people that have been there. Much more of the small business that finds itself at the Labour Relations Board finds itself, in many instances, somewhat intimidated going before the Labour Relations Board, so we need to change that philosophical approach as to how it is to operate.

There will be an industrial relations review that will start in mid-December. Similar to employment standards, there will be a consultation process that we'll get out. The key themes of that will be the needs of a competitive economy; again, the employee, employer and trade union rights as they all fit together; a good, solid board that's working effectively in industrial relations to keep our economy moving in the right direction, to keep people working - it's important that it is effective; and the expeditious decision-making, as I was mentioning.

The Workers Compensation Board review is underway. This review is not a review to look, one time, again. I think I have, sitting on my shelf in my office, a \$6 million royal commission study of what needs to be done with WCB. This is not another \$6 million study. This is a two-track review that's underway. It's a fix-it review.

One is in respect to the service delivery, efficiency and user-friendliness - or not - in regards to WCB. All of us have heard horror stories of the lack of user-friendliness, if you like, at the front office; of people falling between the cracks in regards to concerns that they have with WCB and situations; of the appeal process at this point. People can find themselves in four appeals before they finally come out at the other end in regards to WCB. That needs to be cleaned up.

The law and policy side of WCB - dealing with governments, worker safety and prevention; the backlog of appeals, which I just mentioned; cost control in regards to how the WCB has been operating; and also comparability to other jurisdictions and how this WCB compares to others and a little bit of blue-skying about how it's done in other jurisdictions in other parts not only in Canada but in North America.

The skills development challenge is, I think, a really exciting part of this ministry that ties in, in part, with Shirley and Christy. You know, it's incredible to note that as this baby-boom goes through, most of us are a part of that. Well, I guess all of us are part of that. I keep thinking I'm younger, but I'm not. The fact of the matter is that in about 2008, we're told, somewhere in the neighbourhood of 600,000 to 700,000 skilled tradespersons are going to be in demand within the province. One might consider that a great problem. I tend to look at that as an absolutely incredible challenge and an exciting opportunity for the young people in British Columbia.

When you go through that, we've got to note and understand, in this aspect of it, that we're talking about the skilled trades. We're talking about ironworkers, heavy-duty equipment operators, mechanics, automotive mechanics. The other day I had the opportunity to go out to the operating engineers heavy-duty equipment school in Haney. There's all sorts of pieces of equipment out there, and it's a real hands-on training facility. There's the academic side, also, that's required for a number of these pieces of equipment if you're a crane operator and so on. I got to run an excavator, which is something I've wanted to do all my life, and jumped on that excavator thinking that you've really got to crank these gears today. Of course, you don't. It's all finger-touch control. There are computers, and there's a big....

Interjection.

Hon. G. Bruce: The damage, Mr. Minister, wasn't that extensive. They kept me out in the field.

Here's where I believe we have to redirect in respect to our skills development. I asked a question of the people there. I said, "Listen, this is great." This school's been there a long time. "How many grade 10, 11 and 12 classes have we had out to this site" - this is not a government site in that respect - "to be able to see, touch and to understand the increasing demand for operators for these heavy-duty pieces of equipment? How many have we had out over the years?" They told me: none. There's never been a school out there.

[11:15]

We've got to get into the schools, and we've got to get into grade 10, 11 and 12 and start bringing to young people's attention the opportunities that are out there. Certainly, the encouragement to go on to post-secondary education is very important, but we need good, skilled tradespeople. I mean, what a crying shame it would be in this province if, with what we see coming today, we had to go to other countries to bring skilled tradespeople into this province, and then we, the British Columbians, become the labourers, if you like, on the other side. We've got to work hard to make sure that our young people understand how much opportunity there is out there.

You know, you can sit there and think, "Well, sure, people would know that," but if you were a mom and dad today sitting around the kitchen table advising your children, you probably wouldn't be advising them to go into the mining industry. I mean, after the last ten years of what we've just been through and the lack of new mines and the encouragement of the mining industry, you'd hardly be encouraging your kids to go into the mining industry. With what our plans are here in this province and where we're going to go, we're going to need miners. We've got huge resources in British Columbia. What we're going to need is miners - that type of encouragement. You wouldn't be encouraging your son or daughter to go into the forestry sector with what we're faced with today in British Columbia, but the forestry industry's got an incredibly bright future in the province.

We need to get into the schools, into 10, 11 and 12, I believe, and identify the opportunities that exist. Miners are making \$70,000 to \$80,000 a year. Most of our ironworker community is 45 and over. If we're going to have a construction phase in the province of British Columbia, we need good ironworkers. We need to train those people. In their heyday they were making, I'm told, \$100,000 to \$110,000 a year. They're good, well-paying jobs.

Now, listen. I don't want to be dancing around up on those high beams myself, and I'm not sure that any of you wish to either, so we need to encourage our younger folk about the opportunities there.

Here's where we are. As we would look at our strategic shifts, we would see ourselves today as being somewhat bureaucratic. We want to change that and to become user-friendly. We would see ourselves today as being paper-based, and we want to move to the electronic and the call-centres so that we can respond in an efficient and quick fashion. We are definitely overlegislated. We have backlogs of appeals, whether it's in the employment standards branch, the Labour Relations Board or the Workers Compensation Board. This is not good for anybody in this instance. This needs to be cleaned up, so we need simpler rules and quicker decisions. All of this has been taxpayer-funded. We think there's a role for some cost-recovery in all this.

As I mentioned, where we are at with our next steps in our strategic shifts here.... We have the employment standards review that's currently underway. Our consultation with regards to the Workers Compensation Board and where we wish to get there is currently underway. The industrial relations consultation will begin in mid-December, and we're looking to have our human resources strategies in place by next spring. That, in a nutshell, is what we're doing.

Hon. G. Campbell: We have questions from Gary and John.

Hon. G. Collins: Thanks, Graham. I want to come back to your discussion about the employment standards and the way you see what I think you call a "three strikes" scenario. I just want to ask you a question about that. When you said that on the first offence we're going to give the employer the benefit of the doubt, you're not saying that on the first offence, when they've actually done something wrong, we're not going to do anything about it.

Hon. G. Bruce: No, definitely not. I'm sorry if I gave that impression. No, it'll be fully investigated and corrected. Of course, if it was determined at that point that it was wilfully undertaken, then we'll deal with it in that respect. If it was clearly a mistake, then we would deal with it that way and correct that situation.

Hon. G. Collins: Let's take two scenarios. The first one is that it's an honest mistake. We feel that they're wrong, but it's an honest mistake. They would still correct that for the employee - i.e., pay them what they need or rectify it or do whatever is necessary in order to fix it, but we're not going to come down with a heavy hammer on them for the first time if it's an honest mistake.

Hon. G. Bruce: That's correct.

Hon. G. Collins: If it's an egregious error or an egregious act, and they've really gone out of their way to create a problem - they knew it was a problem, and they did it anyways - then we're not just going to correct it on behalf of the employee, but there may be some punitive action taken as well. Is that what you're saying?

[11:20]

Hon. G. Bruce: That's right. The third step is: if you're repetitive in that way, we intend to publish you. We would do the full audit and a fine. You would pay for that audit. Usually this, again, is back wages or back pay. We intend to publish you as a poor employer in the province of British Columbia.

Hon. G. Campbell: Okay. Thank you. John.

Hon. J. van Dongen: Just to pick up on that, I agree with the general direction you're going on enforcement, Graham, but I think there are different scales of offences. If somebody doesn't pay their employee, to me that is a pretty serious offence. I would hope on strike one that strike one is pretty significant, because that is really, really basic stuff.

Having said that, I think that we need to look at the situation we've had in the farm community, where we certainly have some non-compliance issues, but we also have other issues. We have labour supply issues, and we have the difficulty, I think, of the complexity of the employment standards legislation, which you're going to address.

I also think we need to look at the design of our programs. I'm thinking in particular of the employment insurance program, which is a federal program which has driven a lot of our enforcement activities for the last five years, a lot of which I think have been very hostile and very non-productive. We need to look at the design of that legislation.

I noticed in your report today that there was no comment about your relationship with the federal government. I know that you have some MOUs with the federal government. Maybe you could comment on that, particularly with respect to EI and also with respect to HRDC and the skills development programs and employment placement programs that the federal government has.

Hon. G. Bruce: Well, specifically as we're talking about the agricultural sectors in that regard, there have been problems there. The other part of the employment standards review - if I can just digress for half a moment - is to take certain sectors where we're having difficulty and deal with those on a sector-by-sector basis. In this respect here on the agricultural side, John has very generously agreed to take that particular task on.

You know, we do have some situations there where we have employer-employee relationships. We have a situation where we have labour that is really for the most part migrant, and Immigration don't fully understand everything. Sometimes there are abuses that have been undertaken. In the main part, what happened there was that we moved beyond that and started then putting everybody into that basket from the lower mainland right up through the interior. Part of that package was also through the federal government program of getting so many hours, and then you're able to get on EI. Those particular relationships between the province and the federal government have to be reviewed in this instance you're speaking about.

Obviously, on the agricultural side, the flexibility of employment standards.... I mean, when a crop's ready to be picked, the crop is ready to be picked. We need to develop that so it works for the farming community. It's tough to tell the apples to hang on for another month while we work our shifts through there. We also need to make sure that people are not exploited through that process as well.

In that respect with the sector - and there are a number of sectors we're looking at - we will work to try and make sure that the employment standards are reflective of the needs within that sector of our economy.

Hon. J. van Dongen: Thank you.

Hon. G. Campbell: Dick.

Hon. R. Neufeld: Just a couple of quick questions, Graham - good presentation again. I'm excited about what's going to happen in the mining industry too. There are lots of good jobs out there. I think you and Shirley will be able to deliver us some good training prospects.

The WCB is one that always comes up. Obviously, you're aware of that. That's why you didn't want it.

The fix-it process. A coalmine in the southeast has hardly anyone ever hurt. It pays almost twice as much as they would right across the border in Alberta. When you said you were looking at different jurisdictions, do they just not cover people in Alberta as well as we do? Is there some process that we're going to try to level that playing field a little bit more? Companies that can move, move their head offices, and it's extremely difficult for British Columbia to ever get those folks back again to operate in British Columbia. The construction industry is twice as much - almost all of them.

[11:25]

Hon. G. Bruce: You're absolutely right, Dick. All of that is within this review. We want to make sure that when we do the comparisons, we understand we are comparing one and the same thing. Our WCB coverage in British Columbia in respect of the pension side is more extensive than what it is in Alberta.

It may be that we don't want that. That's the difference. We want to make sure that the comparisons are equal, but then we understand why there are those differences. Then we have to take a look and say: "Well, should that be here in this province or not?" All of that is under review. The competitive position of this province to others in jurisdiction and also the benefits then would be supplied under those premiums that are paid.

Hon. G. Campbell: Thanks. I just want to comment on the flexibility aspect of this both in the tourism industry and particularly in the technology industry. You keep hearing that flexibility is a critical component of their employment standards. I think even the last government understood that you need to have more flexibility because of the way employment works in 2001 compared to the way it worked in 1901. Are there ways that you're intending to increase flexibility on a sectoral basis, or are you going to try and do it across the board?

Hon. G. Bruce: Across the board would be where we can establish a process where employer and employee can say: "Hey, look. This is what we want to do." It's a signed-off agreeable position, and that works. Both parties in that instance are happy. On the sectoral side of it, we're actually going to look at the major sector areas - internal reviews of each one of those - to see within the kind of prescribed side of employment standards what needs to be effected or changed in that regard, so that they can remain competitive and that there's the type of working relationship that's good for both parties.

Hon. G. Campbell: On skills development, I just want to say that I was at a meeting yesterday where an industry group pointed out how important skills development was to them. If you lookback at the graph that we had presented, I think there is a real skills shortage that is building through the economy. A lot of the challenges we face today are going to be quite significantly different even five and six years from now in terms of how many people are leaving the workforce and what they're leaving. We tend to talk about nurses and doctors and professionals. We forget that linemen at B.C. Hydro are in short supply and mechanics at automobile dealerships are in short supply. There are huge opportunities out there. I think we have to open those opportunities up for young people so they see those job opportunities throughout the economy. Right now there are a fair number of vacancies in jobs that are not being taken down because of a lack of skills or whatever. I do think that's a huge opportunity for us to move forward with.

Hon. G. Bruce: Absolutely.

Hon. G. Campbell: Any further questions? Those strategic shifts are, I think, approved. Thank you for that, Graham.

The next speaker is Rick Thorpe, Competition, Science and Enterprise.

Ministry of Competition, Science and Enterprise - Strategic Plan

Hon. R. Thorpe: Thank you, Premier. I want to start by noting that our government created the new Ministry of Competition, Science and Enterprise. The former government placed economic development through the Ministries of Employment and Investment and of Small Business, Tourism and Culture and the Information, Science and Technology Agency. As a result, there was no clear accountability to sound economic development. We know the results.

What we've done is looked out into the future and said: "What must we do? What will we look like in 2005?" The new Ministry of Competition, Science and Enterprise will be very focused and proactive and a driver of economic and business policies and government. We will be very much smaller, focused on creating the most competitive and attractive investment climate in North America. We are committed to a business and investment climate and environment of innovation and change. We want to lead government on the evolving domestic and international investment climate issues in order that we remain very, very competitive.

[11:30]

Our vision of the future of British Columbia's economy is reflected in our ministry's mission. We've broken that out between competition, science and enterprise. With respect to competition, the private sector will grow and thrive when given the opportunity in a competitive and positive investment climate. That's where we will focus our efforts - in creating the most attractive investment and business climate in North America.

With respect to science, it is very, very clear. In today's global economy, we must have technological success. Yesterday I was at UBC, and I was so, so encouraged and excited by the ideas that are coming out and by the people who are moving back to British Columbia and bringing that positive attitude. We have tremendous opportunities here in British Columbia. We need to encourage a culture of innovation and development so that we can transfer this knowledge from the schools to commercialization so that it can be spread throughout British Columbia and we can build our economy and create jobs.

With respect to enterprise, our province relies on international investment and international investors and trading. Therefore, we must and we will aggressively promote British Columbia and that it's open for business. We'll focus initially on very targeted trade missions and investment missions to specific areas of the world that fit our economic development program. We will be developing a branding program that will result in renewed growth and investment and trade for British Columbia.

I want to pause just for a moment here and talk about how important the emphasis on competition will be in our ministry. Competition will be our key focus. It is the most critical part of our ministry. We will be a very small ministry, but we will be constantly reminding everyone outside and inside of government that competition is critical to our future success. We will be competitive advocates within government. It's our job to educate decision-makers on the impact that their policy decisions will have on British Columbians' competitiveness, because that is going to result in our economic growth. By having a leading economic and competitive investment climate, private investment will return to British Columbia. Quite frankly, the only way we are going to be able to protect, rebuild and enhance our health care and education systems is by having a strong private sector economy, and we are committed to doing that.

As we reflect, it's important that - the graph that's up here now - the province of British Columbia refocus its activities. The chart provides a very stark fact. You can see that British Columbia ranked second-last to Quebec in economic activity and investment. After ten years of this type of performance and failures, the question is: how do we turn things around? What is government's role? Our tasks are not simple, but they are very, very clear.

I just want to talk about our mandate and how we are - working together as a team, working with the private sector, working with communities throughout British Columbia - going to turn this around and rebuild our province. Our ministry's mandate is to enhance the investment and business climate and make government more responsive to competitive market forces.

How are we going to achieve this? First of all, we must restore partnerships with business and entrepreneurs throughout the entire province and those outside the province. These are our key customers, and we need to listen to them, we need to respond, and we need to act on their issues quickly and with very clear answers. Often they don't mind hearing the answer no. They just want to hear it so they also can move on.

Also, within government, it'll be our role to advocate on behalf of our customers. We will be their voice. When government makes a decision that affects businesses and the investment climate, we will be their champions. I'm pleased, on that point, that we're working very well with many ministries, in particular with Minister Bruce on skills development and labour. It's good when we can bring views together and build solutions. That's what British Columbians want us to do.

[11:35]

The other area in our mandate that's key is marketing British Columbia as a place to expand opportunities, to live, to work, to invest and do business. We will - and it will be my personal number one priority in the year 2002 - be developing our message that British Columbia is open for business.

Of course, we must also provide strategic advice on economic issues. We must ensure that the decision-makers have access to sound strategic economic analysis on a timely basis so that we can make sound economic policy decisions and economic development priorities.

Once again, what we also have to do is redevelop and enhance our partnerships with the private sector, with the federal government and with research institutes. We must establish strong working relationships with all these groups to pursue our provincial economic priorities.

In our ministry, our core activities to achieve our mission and our mandate are, first, removing barriers to business. We are going to work with entrepreneurs in the business community to remove barriers to economic development throughout British Columbia. Again, we're going to market the investment opportunities in British Columbia through a branding program, and we will aggressively sell this brand around the world.

We will use strategic marketing investment missions and trade missions to supplement this effort. The results will be new investment and new economic development in British Columbia and, most importantly, jobs for British Columbians.

With respect to innovations, science and technology transfer, we will work to support a culture of innovation and the transfer of the science to commercialization. We believe that with our advanced universities and our colleges, we can facilitate this development throughout the province.

Finally, our core activity will be to provide economic policy and strategic advice and business intelligence. We will focus in on key areas with the Minister of Finance on taxation and with the Minister of State for Deregulation and other ministers on regulatory policy to ensure that we are leaders in the area of competitiveness and that we stay out in front. When we get in front, it's going

to be just as hard to keep in front, because other areas of the world will be competing with us, and British Columbia will win.

In the business intelligence area, we plan, if our issues are approved here today, to have a unit whose job is to scan the key competitive markets of the world - whether it be tourism, film, high-tech, energy or gas and oil - to ensure that we know exactly what is going on out there all of the time. Those would be our core activities.

The ministry has its strategic shifts like other ministries. Our first shift is that we're going to focus on economic policy that frees up entrepreneurs and businesses to do their job, not on policies that promote social engineering. Secondly, we're going to cut red tape, and we will continue to do that until we achieve our minimum goal of one-third within three years. We have left behind the days of excessive regulation and process pushers, and we have also stopped subsidies to business.

Thirdly, we have begun to market the province to entrepreneurs and investors as a great place to live, to work, to play, to invest and, of course, to build their futures. We will stop acting as a general contractor for any proposed development schemes that come along.

Fourthly, we will be the voice of entrepreneurs and businesses inside government, not the educator of business about government.

We have what we believe are three issues critical to our success. We need to put in place a very effective human resources strategy. We must recruit, train and develop resources to ensure that we have the staff who can deliver on our mandate. I am very, very encouraged by my staff and my resources within my ministry to date.

We need to work within government to build the recognition and the acceptance of the ministry as an advocate for business, entrepreneurs, competitiveness and the challengers of the status quo. Finally, we need to work harder to build a culture in our ministry and in government that recognizes and rewards a highly developed focus on customer service.

[11:40]

As I said when I started my presentation today, to achieve the fundamental changes required in this ministry, I need the approval on the ministry's mission, mandate and its refocused direction. With this approval, we will proceed to implement the changes inside the ministry.

British Columbia is already one of the world's greatest tourism destinations. I believe, with your approval on our request today, British Columbia will become one of North America's investment destinations. Thank you very much, Mr. Premier.

Hon. G. Campbell: Thank you. Questions? Judith?

Hon. J. Reid: I really appreciate the approach of this ministry; I think it's absolutely integral to our success in British Columbia. Some ministries are a little more straightforward. I'm curious: how will we measure success in this approach? I want to see it succeed, and I want to know, within my own ministry, how I'm contributing to that. I'm just wondering how we would identify that.

Hon. R. Thorpe: Thanks, Judith, for the question. First of all, like most ministries, we are working through that now. We're working through and developing our service plans, but let me say: we're not going to be second-last in investment. Our goal, as in the graph I showed, is to be up at the top. That will be very easy to measure. That is our goal, but we'll be working through a number of performance measures as we work through our service plan like other ministries are doing. We're going to have those measurable goals. You can look at the graph; you can see our success. And we're going to have success.

Hon. G. Campbell: I should just say, Judith, that one of the things we'll be looking at is standards for investment and for economic activity in different sectors of the economy. For example, Dick is very clear in terms of his ministry what his goals are, in terms of encouraging private sector investment.

Part of Competition, Science and Enterprise will be to set those goals for ourselves. Tourism right now, I think, generates about \$1 billion into provincial coffers. We asked Tourism B.C. to come back with a plan that would show us what we have to do in government so that they think they can generate \$2 billion into the provincial coffers.

We'll be doing the same thing in forestry, in agriculture, in retail. We're going to look through that whole array of industrial sectors and see if we can set some goals for ourselves to reach for, as

we're going through this effort, to try and keep our costs down. There's another part of this deal, and that's to try and make sure that we get our revenues up by economic activity. That's one of the things that Competition, Science and Enterprise is going to push for.

Joyce?

Hon. J. Murray: Rick, when you're talking about marketing the B.C. brand, the key message there is: "We're open for business." Having come from a small business background, I'm in complete support of that message.

I would like to see an additional message there, and that has to do with British Columbia's natural environment. I believe that a big part of our competitive advantage in British Columbia is our exceptional natural environment and natural capital. I think some of the important industries - like tourism, cruise ships, film - come to British Columbia because of the quality of our natural environment. I think some of the other very important industries - like high-tech, biotech - come to British Columbia because their highly skilled employees want to live in a place like British Columbia. I think it's very important that we market and that we have sustainable practices and policies here that protect that natural capital. I think it's also very important that we let people know that we're committed to consuming the interest on that natural capital and protecting the capital itself, and that needs to be a core message as we market British Columbia.

Hon. R. Thorpe: Thanks, Joyce. That's an excellent point. There is a reason we're called Super, Natural British Columbia today.

When I talk about branding.... Of course, my excitement today is because I've been meeting with business groups and entrepreneur groups, and they're so excited that British Columbia is open for business. I probably erred in not only being excited about that but not explaining. I didn't err about being excited about that; we should all be excited about that - the branding. The exercise is to brand British Columbia. To have an umbrella message, if you will, but then underneath talk about - and we'll be working with forestry, tourism, energy and oil, high tech, 2010 - the fact that we're open for business.

[11:45]

You hit the nail right on the head. One of the things that British Columbians from all parts of British Columbia are proud of is our environmental stewardship. I personally have never met a British Columbian that does not care about their environment. I've never met one of those people.

I think what we have to do is take that and weave that through all of our messages. Again, that's the thrust we're working on. That's the process we're working on, and we will be working and communicating and seeking advice from a number of ministries on this very, very important task.

Hon. G. Campbell: The key to the brand will be that all ministries, whatever their goals are, can be captured within the brand. Each ministry may have something different that they're pushing, but the brand itself will constantly reinforce the message that we've got to put out.

Any further questions?

I think, from my perspective at least, that this is a critical component of what we're trying to do as a government. That is to be a service agency to try and make sure that we do create a competitive environment. There have been huge competitive obstacles put in front of our business enterprises across the province, which have had huge costs for British Columbians. Thousands and thousands of jobs in the private sector have been lost because of that. I hope that we can remove obstacles.

One of my measures, to go back to Judith, is that it would be great to have the small business community particularly come back and say: "You know, we finally got a government that's paying attention to us, that's trying to be a help as opposed to a hindrance, that celebrates our success as opposed to trying to take it away." I think there's a big, big shift that we have to make there.

Any further questions? Murray.

Hon. M. Coell: Just a comment. As you know, in the ministry that I represent there are tens of thousands of people looking for work. The presentations today, I think, should give British Columbians a lot of optimism that we're actually starting the job-creation engine in this province for the first time in a long time. There are going to be jobs out there. The two presentations we've just had give me a tremendous amount of optimism that we're going to create the jobs that put people

back to work. I think that is so positive for this province. I really appreciate the two ministers' comments.

Hon. G. Campbell: Thank you. Those shifts are approved.

We will now go to the ministry that everyone loves: the Ministry of Finance. Gary will deal with the core review and the shifts that he's underlined.

Ministry of Finance - Strategic Shifts

Hon. G. Collins: Thank you, Mr. Premier. I want to run through some of the changes that are going to be happening in the Ministry of Finance over the next little while as well, if we get the approval of cabinet today. You people in this room have a great deal of contact with the Ministry of Finance on an ongoing basis, because you're the ministers and you're internal to government. The general public doesn't have a great deal of contact with the Ministry of Finance, with the exception of a few areas which I'll talk about in a minute.

We generally as a ministry serve cabinet. We serve Treasury Board. We work with the core part of government: your ministries. We also work with the broader public sector, which includes schools, universities, colleges, other institutes and the hospital and health care sector, which is outside of the central part of government here in Victoria.

We do serve the people of British Columbia indirectly through all of those, in monitoring, etc., but we also do serve the people of British Columbia directly. One of our key roles is as the regulator of the financial markets and institutions here in British Columbia. We take that role very seriously. Our job is to protect the public interest while still allowing for a free flow of investment and goods in a regulated environment here in British Columbia, where people involved in that and people who participate in that have their interests protected and monitored.

We also monitor on an ongoing basis, as some of you have uncomfortably found, the expenditures of government over the duration of the fiscal year. That's about a \$24.7 billion budget. We have to monitor that both centrally here in your ministries and outside of your direct ministries in the school districts, hospitals and universities to a lesser extent but in an ever greatly increasing sense, as I'll speak to later as well.

[11:50]

We also manage about \$37 billion worth of debt that the province of British Columbia has built up over the last number of decades. We work very hard, and I have to say we have some outstanding people in our branch who manage our debt to make sure that we get the absolute best interest rate possible for the money that we need to borrow. We manage our debt in a progressive way so that we know that we're minimizing the interest-rate risk to the people of British Columbia, who have to pay the bills as well.

Finally, one of the things we do that I think is fairly significant is that we report on how we're doing as a government in managing the people's dollars. We do that on a quarterly basis, we do it on an annual basis in the budget process, and occasionally we do it on a more ongoing basis as well.

If you look at the pie chart that all ministers have been putting forward when they make their core review, this gives you a bit of an idea of where we are right now. The little sliver at the top there is the minister's office. We have corporate services at about \$4.9 million, a Treasury Board staff of \$13.9 million and the Public Sector Employers Council. The Minister of Finance is responsible for the Public Sector Employers Council. That is the coordinating body across the entire public sector of government that acts as the employer and tries to coordinate our strategies, our plans and our desires when we go to the bargaining table with public sector employees right across the province.

The comptroller general's job is to monitor and to deal with the accounting process of how we put our books together and make sure we're doing that properly. The Financial Institutions Commission, I mentioned as well. That is the body that regulates and monitors the financial sector in British Columbia. Management of the provincial treasury and the corporate registries, where companies provide their documentation, etc., is another component of what we do.

Our goal as the Ministry of Finance is to provide efficient, cost-effective services to the people of British Columbia in a sound regulatory framework while managing their tax dollars in the best way we possibly can. There are some things that we need to do in order to achieve that. There are really six things that we need to do to move that forward and to achieve that goal.

Number one is to develop a three-year fiscal plan to balance our budget by 2004-05. All of you have been involved in that extremely difficult process over the last number of months. Our caucus members in the government caucus committees are now part of that as well, as they examine the forecasts and the spending plans for government in the out years that will help to get us to our balanced-budget commitment by 2004-05.

Second, we have to effectively and efficiently regulate the financial marketplace to protect the interests of the people of British Columbia. That includes regulating the credit unions, mortgage brokers, insurance agencies and those sorts of things.

Third, we also are focusing on improving the accountability of government and moving more towards performance-based management across the board, as opposed to prescriptive management processes.

Fourth, we've been directed by the Premier's office - I'm finding this area actually quite interesting - and we're working to streamline the process in government of the approval of capital projects. As well, we're exploring in detail the opportunities that may be available to get better value, better services, for the dollars that we put into it through public-private partnerships. There are some interesting projects that people are looking at.

We're also trying to put in a structural process in government, in the Ministry of Finance, working with the ministries who build capital so that we can do this in a way that protects the taxpayers, manages it in the best way possible and builds up some expertise within government as well. If we move forward with public-private partnerships, we want to make sure that we're able to do that in a way that best allocates the risks, avoids any challenges or difficulties in doing that and gets best value for the dollar.

Fifth, we want to create a competitive tax system both for individuals and for businesses in British Columbia to help grow our economy. We announced that on July 30 and, as well, prior to that on our first day in office with a personal income tax reduction. That process has pretty much been launched. There may be some other small changes moving forward, but essentially those tax decisions were made early in our mandate and are out there right now.

[11:55]

Sixth, the Premier directed me in the letter.... We all got letters. One of the things in my letter was to work to create a more flexible public sector - that's through the labour relations process as well - to make sure that we get the best value for the taxpayers' money and the best services for the taxpayers' dollars that we're spending to do that.

We have to make some strategic shifts in the way we operate in order to get there. We have an old model that we were following up until the election of the new government, where our advisory, our management and our reporting functions were really separate from each other and sort of worked in a not very coordinated way. What we're trying to do is coordinate that, integrate that approach, so that we get better efficiency, better monitoring, better advice, better reporting and, as well, focus our resources where the biggest risks are as opposed to treating everybody the same. I'll talk about that a little bit ahead here.

The strategic shift. I talked about treating everyone the same. For example, we have our people in Treasury Board, and we have our people in the Ministry of Finance who help to advise and monitor things that go on in your ministries. We generally spend the same amount of time at Treasury Board meetings with the Ministry of Health at \$9.5 billion as we do with the Ministry of Agriculture, which is dramatically smaller than that.

Now, it goes without saying that the Ministry of Agriculture has done a pretty good job over the years of balancing its budgets and hitting its targets and implementing its programs in a way that hasn't caused government or the taxpayers a big problem. There are no fast ferries in the Ministry of Agriculture. They've just gone ahead and helped the agricultural industry to move ahead.

Then we get to the Ministry of Health, which hasn't ever hit its budget target. Well, we may get there. I'll talk about that a little later. I do have to say right now, Colin and Sindi, that you guys have done an amazing job in the last five months trying to get that ministry on a professional basis so that we can actually rely upon the targets that you've put forward. I'll be speaking about that later in my fiscal update where there's some pretty good news coming out of the Ministry of Health, thanks to the work that you and the people out there in the field have been doing to try to control those costs.

When you think of the size of the Ministry of Agriculture and the size of the Ministry of Health.... Poor little old Graham there was talking earlier about the little sliver that barely fits in the pie that Judith Reid has to deal with. Compare that to the \$9.5 billion and 40 percent of our budget that Colin deals with. We will obviously be putting a lot more resources, energies and effort where the risks are - where the risks are to the taxpayers, where the risks are for performance, where the impact on individuals is the biggest. Certainly, we're going to move from treating all of our clients the same, meaning you people around the table, to focusing on those areas where there are major risks and opportunities.

We also want to change from a method that's been in place for a long time, which I know is frustrating for ministers, which is the command and control model. The Ministry of Finance tells you what to do and then makes sure that you're doing it on an ongoing basis every single day and is in your face all the time. We want to try to get away from that. We don't think that's a terribly effective use of our time. We don't think it's a terribly effective use of your time. Where ministries are able to and have proven themselves to be able to set targets on their own, to hit those targets, to meet those targets where there are not huge risks to the taxpayer, then you won't be seeing a lot of the Ministry of Finance. We intend to get out of your way and let you set your service plans and your performance plans, and meet those targets moving forward. You're going to be held accountable for those. If you don't hit your budget, you're going to take a pay cut. If you don't deliver on the measures that are in your service plans, you're going to pay the price for that. We think that there will be a greater amount of accountability for ministers and ministries directly. Those that do well should be left to do well.

We've already taken some steps to do that. We've reduced the number of things that you as a minister have to come to Treasury Board for approval for. Some ministries have found their time before Treasury Board to be fairly quick and straightforward - not easy, but fairly quick and straightforward. We're trying to move more towards performance-based management that reflects the complexity and the risks that are in your ministries as opposed to just treating everybody exactly the same.

[12:00]

We've also been directed by the Premier to move towards three-year service plans and three-year funding plans. We've all been working on that. We believe that we'll get better efficiencies and better opportunities for ministries and the greater public sector as well - health sector, hospitals, school districts, universities. If they have a more predictable budget moving forward, if they know what's going to be there, if they don't have to wait nine months into the fiscal year to get their budget out of Victoria, we think they'll be able to make better use of the funds that they have, make better decisions, hire permanent staff instead of relying on temporary or auxiliary staff which can be more expensive.

We certainly saw that in the nursing dispute. Some hospitals were afraid to hire full-time nurses for fear that at some point their budget would change, and they'd have to lay them off. They were hiring them on a temporary basis, which isn't very good for the nurses either. They don't have a reliable job, and it affects our recruiting. We want to try and make sure there are some reliable numbers moving forward, and people can count on those and manage their budget more carefully and more successfully.

There's also going to be a big change in the way government reports the finances of the province. We made a commitment prior to and since the last election to move our province towards generally accepted accounting principles. That is an extremely difficult thing to do for an entity the size of the public sector in British Columbia.

Right now, as the Ministry of Finance, we're responsible for collecting the data, planning the budgets and reporting on the core part of government and the Crown corporations. We do not do a great deal of work in planning the budgets and in reporting out the details of the budgets of school districts, hospitals, universities, colleges, institutes, etc. We don't do a great deal of detail with Crown corporations. By moving to generally accepted accounting principles, all of our books come together into one big one. That is going to be a huge task for the Ministry of Finance to manage. It's going to be a huge task for you to manage as well. We're intending to do that by 2004-05. If you've got any advice on how to do that, let me know, because we're working hard on it. We're also developing a private sector advisory committee to help us do that as well.

We think that by making these strategic shifts, we'll actually see a significant benefit to the people of British Columbia. They may not see it as we do it, but over time you'll see the benefits that result from some of those strategic shifts.

We think we'll do a couple of things by doing this. First of all, we're going to balance the budget in a sustainable way moving forward and focus the dollars that people pay in taxes on the priorities they have as a province. We're not going to be wasting money. We're going to be focusing the dollars that we have on those core services of government and making sure that we deliver them in the most efficient and effective way possible.

Second of all, through the changes in capital spending, we intend to get the best value for every dollar we put into public infrastructure and public services. We're going to do that as we change our capital planning system and our capital development process.

When we finally implement generally accepted accounting principles, we believe we're going to improve the transparency and accountability of government so people will have a much better sense of where their dollars are going, how they're being spent and whether or not they're being spent well. As well, when we move forward and improve the flexibility of the public sector, we think we're going to get better value for the money we spend on public services.

Today I'm looking for approval from you for those strategic shifts: to move from treating all of you in the same way to focusing our energies and resources on the major risks and opportunities; to move from an intrusive command-and-control model to one that's based on performance management, where the energies are focused where the greatest complexity and risk is; to move from planning one year at a time to three-year rolling plans that will move forward, so every year we'll know what's coming up in the years beyond; and to move from a system where we report essentially to the limited part of government to - by implementing generally accepted accounting principles - be reporting and monitoring the larger entity of government in order to provide better accountability and better transparency to the people who are paying the bills.

Hon. G. Campbell: Questions? Those strategic shifts are approved. Thank you very much.

I'm also going to ask Gary to give us a fiscal update. Let me just start that part by pointing this out. You'll all know that yesterday we did announce the workforce adjustment strategy. I think everyone in this room knows how difficult that task and that transition will be. I must admit, I watched some of the coverage last night. I think the public servants themselves in many cases understand how difficult this task will be and understand that it indeed is a necessary task.

[12:05]

To begin with, I just want to say that the things we have undertaken to do and that we have an obligation to do are the things that we undertook during the election. It's clear that the public service has got to focus taxpayers' resources on areas and concerns that are of primary importance to taxpayers. That's what the core services review is about.

You know, the other thing that is important for everyone to remember is that as the fiscal review panel pointed out last summer, we were facing, before this government did anything at all, a structural deficit of \$3.8 billion for the year 2003-04. That was without anything that this government has done - no tax cuts. If the government had done nothing, if we had decided that the status quo was actually fine with us, we'd be facing a \$3.8 billion deficit in 2003-04. Some people have either deliberately...or have forgotten that particular fact. It's important for us as cabinet to go out and remind British Columbians of that fact. You simply cannot build an economic future on debt.

With the plans that we're looking at, as we look out over the next three years - as we move to try and bring some financial discipline and financial sanity back to the province of British Columbia - the fastest-growing cost to government will be interest costs, in spite of interest rates today.

One of the challenges we face is to remember that our job here is to revitalize the private sector economy and to revitalize and restore the confidence in the public sector of British Columbia, whether it's health care or education. Our goal was to save and to protect public health care. We said that. We said we'd restore fiscal prudence to the province of British Columbia, and we're doing that. I believe, by reprofiling the shape of government and by making sure that we have a government that's open to innovation, that's open to creation and that looks at different delivery models to accomplish more with the limited taxpayer resources, we're doing exactly what we were elected to do.

Having said that, I don't think we in this room should underestimate how difficult these challenges are for people that work with us and for the taxpayers of British Columbia. It is important for us to recognize that. It is just as difficult for a public sector employee to deal with impending change as it is for a private sector employee.

I am aware of the thousands of forest workers facing an uncertain future today as they sit in their communities laid off, with their mills closed down. I feel as badly about their situation as I do about the situation that currently exists as we try to get our financial house in order.

I also want to be clear - and it's important for all of you as ministers to take this message out to your staff - that our public service is welcome to comment on what we do and why we're doing it - openly, freely and professionally, without fear or favour. As I watched last night, you heard the array of discussion that had taken place. I want our public sector and our professional employees - our employees, period - to understand that we recognize the challenges they face and that we're going to do everything we can to try and help mitigate the uncertainty, if you want, and the concerns that they may face.

The workforce adjustment strategy that we put in place is designed specifically to allow people to make their own choices, to accept early retirement - an early retirement package that has been defined as fair and equitable on both sides of the table, both from the employee's perspective and from the perspective of the taxpayer. If they decide they want to take up the voluntary departure offer, that will be available to employees as well. Deputy ministers will be working throughout the public service to make sure they understand those options that are available to them.

We are clearly not going to fill vacancies. There are 1,000 FTEs that are currently vacant in the province. They will not be filled. I think those things are important. We are going to reduce the use of auxiliaries; there's no question about that. Those are important. There's regular attrition that takes place throughout the government service. That's important.

I do want everyone to remember that the comments that we received from our public sector are legitimate. They are part of their democratic rights. They are part of what we would encourage in any workplace or any workforce with any employer in the province of British Columbia. That is very important for us to remember.

The encouraging thing for me has been not just the forbearance but the understanding of our staff. I can tell you, as I've watched staff work through the core review process - and, I'm sure, as the Finance ministry has watched staff struggle with us as we look to bring some financial discipline and prudence back to the government - they have been exceptionally willing to help us move forward and to recognize our goals and objectives.

[12:10]

I think we are fortunate to have that professional a public service. They understand the challenge, and I think the great thing for us is that they understand why we're facing the challenge today. It simply cannot be put off and say to people with any kind of clear conscience that we will have the kind of public sector services they need and deserve, whether it's education or health care, if we do put it off.

I want to say that I think that not just the Finance ministry but the other ministries have been working very hard as we go through this core process. I've had some people commenting that it's not exactly the most exciting television they've ever seen. It may not be exciting, but at least we're trying to lay out the information, the direction we're going and why we're going in it. I can tell you, I've been encouraged by what I'm hearing from people throughout the public service as well as throughout the public.

We do face challenges. Those challenges were what we inherited. I can tell you candidly that not in my worst nightmares did I expect we were going to be facing a structural deficit of \$3.8 billion. This is by far the largest single structural deficit we've seen. We all had political opinions about what the previous government had done or hadn't done, what they'd told us or hadn't told us. We're still finding out, as I'm sure the Minister of Finance will tell you later, that there are still surprises out there. Those surprises are things that we're going have to take in and have to deal with.

The one thing that I don't want us to do is this. There's no question the world's changed since we were elected. There are things that we have control over in British Columbia and in the government of the province. Those are the things that we're going to focus on. Those are the things that we're going to work on. Those are the things that we can be held to account for.

We're can't control what happened on September 11. We can't tell Governor Mark Racicot what the softwood lumber deal will be and how it will work. We can't force the province of Ontario to agree with the province of British Columbia in that negotiation. We certainly couldn't have foreseen the downturn that took place in the global economies. But we do know what the fundamentals are. We

do understand what we have to do so that we're positioned to take advantage of the turnaround, and the economic turnaround is going to come. The information that's coming out now is that it may come sooner than we anticipated, but it is going to come.

I think that the work that's been done by you as ministers has been great. I want you to continue to work with your ministries, with the public service. I want you to continue to remind people of what our goals and our objectives are. I'm confident that we will be successful in meeting the challenges that we confronted on June 5 and that we'll keep confronting from now until whenever the next election date comes. Actually, I know that date. It's May 17, 2005.

I wanted to take a moment to say that. I think it is important for us. This is a huge challenge for all of us and one of the challenges that the Minister of Finance has faced as he has tried to keep people informed about a changing and volatile world. This is not the stable world that was there, maybe, in the fifties or sixties or even seventies. The world that we're in today is a significantly different world, but it's even more important that we focus on the fundamentals. If we keep our feet firmly planted in the fundamentals, then we'll be stable, we'll be able to move forward, and the values of British Columbia will be reflected in what the government does.

I'm going to ask Gary to take us through a fiscal update, and then Colin is going to give us a report on Health Services. Gary.

Hon. G. Collins: Thank you, Mr. Premier. I want to start by commenting a little bit on your comments on the economy. There are many things that have been happening in the last little while in the global economy, the United States, Canada and even British Columbia that have added to the downward pressure on our economy and every economy across this country, including the United States as well.

I know that different Ministers of Finance - my colleagues from across the country - have all been sharing misery stories for the last little while as to how we're going to deal with this economic slowdown. I noticed that Manitoba was cutting about 3 percent out of its budget next year across the board, including health care and education. Ontario has just announced this week that they're going to have to take 5 percent out of their budget next year across the board, including cuts to the health care and education budgets. Ministries and governments right across the country, regardless of political stripe, are facing some challenging times.

The Premier is right on one thing for sure. This thing is going to turn around, and we are going to get out of this. The economy will improve.

[12:15]

Hon. G. Campbell: I'm glad that was the thing I was right about.

Hon. G. Collins: I'm glad you're right too. The question is when that's going to start to happen and how quickly the economy will grow afterwards. We're starting to see various economists coalesce into two main views. Both sectors agree that the economy's going to be slow probably well into next year. Then some economists believe the growth will take off at a fairly significant rate, given the significant fiscal stimulus that's out there in the form of tax reduction right across North America as well as the significant monetary stimulus across North America with interest rates that are essentially zero. Prime rates are 2 percent; the bank rate is 2 percent; inflation is about 2 percent. So all of those things combine to make the outlook there perhaps more positive than people had hoped.

There's another view that I think is equally credible, and that is that we will see the economy start to grow - but it'll be slower growth through next year and slower growth in the years that follow - and that it'll take some time before we start to see the type of 3, 4, 5 percent growth that we saw in various quarters in the last number of years throughout the rest of North America - not necessarily in British Columbia but elsewhere.

I'll be commenting more on that tomorrow when I release the quarterly report. I'm giving you a sense of that. I do think, though, that we need to be a little more conservative here in British Columbia, given the significant size of the countervail duty on softwood as well as the other rates and penalties that they've put on the shipment of our softwood lumber, depending on how that happens. I'm hopeful that we'll be able to solve this sooner rather than later, but I certainly have to plan for the eventuality that we don't and that starts to impact on forest workers across British Columbian towns. Certainly, there are thousands of them right now in the private sector who are pretty uncertain about what the future may hold.

I want to focus a little bit today not so much on the economic side but on the fiscal side. As with everything, there's good news and bad news. I'd like to start with the bad news first and get it out of the way. It's probably no secret to people. It's been public for a couple of weeks now, I suppose, that the Crown corporations have - significantly, in some cases - revised their forecasts downward.

ICBC reported out just prior to the last quarterly report that their forecast for this year was going to move from a \$35 million profit to a \$145 million loss, for a change to the negative of about \$180 million. That's a large amount of money. We obviously dealt with that a little bit at our last open cabinet meeting, as ICBC struggles to get its costs under control and make its rate structure more reflective of what the costs are.

B.C. Hydro came forward - a bit of a surprise. We were assured, prior to the last quarterly report, that B.C. Hydro was on target for its \$375 million forecast. That was the forecast that Hydro put out. It was not a target that I set for them but was rather their own forecast. We were sure that they would be able to do that. They are now telling us that they in fact are going to be seeing profits this year of about \$200 million. That's \$175 million off the forecast that they put forward earlier. That's primarily a result of a significant decline in electricity prices in the United States.

B.C. Hydro makes virtually all of its profit on trading electricity. It doesn't really make any money on its domestic sales to you and me. It's about at cost; they may even lose a bit of money on it, depending how you look at it. They've actually made their money in recent years by turning the dam off at night, when most people around North America aren't using power, and purchasing power at a very, very inexpensive rate. Most other people that produce power have to do it 24 hours a day, all the time. They can't turn it up and down. So we buy that power cheaply at that point in time, and then in the morning, when everybody gets up and plugs in their curling irons or their toasters or coffee makers.... I don't have a big call for curling irons, as you can tell. I'm doing my bit to save electricity - power smart. [Laughter.]

Interjections.

Hon. G. Collins: My wife has a wonderful head of hair, though, and her curling iron's on. [Laughter.]

Interjections.

[12:20]

Hon. G. Collins: So in the morning, when everybody gets up and plugs in all of their appliances, the demand for electricity goes up dramatically. That's when B.C. Hydro opens the dam and sells that power at a much higher rate. That trading between those rates is where they have made their profits in the last number of years - last year almost \$1 billion in profits, perhaps a bit more than \$1 billion in profits last year alone.

They had done fairly well for the last couple of years. This year when the U.S. capped the energy electricity rates in the western United States, that price fell down dramatically and has continued to fall. The ability - that gap - where Hydro can make its profit has shrunk and shrunk to the point now where there's not a lot of revenue being made in those little trades in between, and they are now forecasting a \$175 million drop in the revenues that they're going to be able to provide to government this year.

We also had a bit of a surprise with B.C. Rail. This is one of those things that you uncover moving forward. B.C. Rail is experiencing significant pressure on its business. It has for some time. They feel they need to make some restructuring efforts, and they'll be doing that in the time ahead in this year. That's about \$100 million as well. In addition to that figure is about \$19 million, which they're forecasting is a decline as a result of the countervailing issue as well as reduced marine traffic.

There is some other bad news on the revenue side. As a result of the same challenges as Hydro is facing, the value of the Columbia downstream benefits are down by about \$115 million. I'm forecasting a drop of about \$100 million in forest revenues. That's a relatively conservative forecast. If we can settle this dispute earlier, then hopefully that will improve. Petroleum and natural gas has declined by about \$429 million, as a result of low gas and energy prices. PST has declined by about \$100 million.

On the bright side - because I did say there was some good news - personal income tax income is up about \$250 million from forecast. That's primarily due to adjustments of previous years, and I'll talk in a little bit more detail about that tomorrow. Corporate income tax revenues are up about \$265 million, for the same reason as well. There are risks in those numbers. They can be readjusted

again. These are numbers that the federal government gives us. We have to sort of take what they do, and there are always risks that those can go up and down as well, but we think that they're generally getting in the target.

On the spending side - and the Premier talked about those things that we can't control - there's not much we can control about those issues that are beyond our borders. There are some things that we can do as a government, and the biggest one is control our spending. I want to congratulate, actually, every one of you and members of your staff and the people in your ministries for the really incredible job you've done in the short time in government in managing the costs in your budgets and in your ministries.

We started out this year on July 30 with real forecast pressures, likely forecast pressures, in budgets of about \$544 million. That was a significant pressure. Almost every ministry had pressures in their budgets where they were likely to go over their budgets in this fiscal year. Of course, the biggest was the Ministry of Health, but almost every other ministry had pressures as well.

We have now managed that pressure down to \$170 million to \$220 million; \$150 million to \$200 million of that still remains in the health care sector. Virtually all of you have managed your pressures down to the point where you're now forecasting to come in on budget or slightly under budget. The only ministries that we still see risks in are a small risk in the Ministry of Forests, but I won't be too tough on him, because we managed to save a fair bit of money in another vote in his ministry - that is, forest fire fighting. The Attorney General still faces pressures of about \$14 million. As well, we've had to allocate some of the things out of the Attorney General's ministry to contingencies.

The rest of you have done extremely well. I include the two Ministers of Health in that, as well, because you were facing huge pressures at the beginning of the year. I want to say today that I think a great deal of credit goes to Colin. It's now forecast that within his core ministry - that is, not the health authorities but the Ministry of Health, which he controls - they're actually forecasting to come in on budget this year for the first time, if not ever, certainly in a long, long time. That's a great deal of credit that goes to him and the people in his ministry who I know have worked long hours and nights and weekends trying to manage that budget. That's really encouraging.

[12:25]

We still see risks in the health authorities of about \$150 million to \$200 million. I know Colin and Sindi are both working hard to manage those pressures downward as well. As well, the key health authorities are working hard to do that. We're hopeful we'll have better news in the future on the health care side, as opposed to bad news.

Those are areas we can control, and you've all done a great job of doing that. I know it hasn't always been fun, and I know that in some cases we've been on you pretty hard. But we certainly appreciate the effort you've put into that.

There's also the contingency budget, which was \$360 million for this year. I want to touch on that a little bit. We've allocated \$168 million out of that for Skeena. Those are contract agreements which the previous government entered into and which we have now had to pay out as we manage the issue with Skeena Cellulose. That has taken a fairly significant chunk out of the contingencies budget.

As you heard yesterday, we announced the workforce adjustment. We're allocating about \$80 million notionally at this time out of contingency to deal with that in this fiscal year. We're debating whether or not we want to have a single line item and a vote every year, as we move through this transition, for those adjustment issues. We've done that already notionally, but for next year in your budgets, as well, we may take them out of your ministries and centralize them in one vote so we can clearly see what the costs are in moving forward.

The other area of contingencies, everything else that we've had to deal with.... Much of this money was allocated prior to the election and a bit of it since the election. Other than those two items - Skeena and the workforce adjustment - that I mentioned, \$53 million has been allocated out of the \$360 million. That leaves us with about \$59 million in contingencies. Don't get excited about that; you can't have it. It's a contingency, and it's there, hopefully, not to spend by the end of the year.

To cut to the chase, put all that together and the deficit forecast at this point for the end of the year is up slightly from the previous quarterly report. It's forecast to be at \$2.036 billion, up \$55 million from the last quarterly. I forgot to mention, as well, that it's not just you ministries being on budget but under budget collectively. With the exception of the Attorney General ministry and the Ministry of

Health and that little pressure in Forests, collectively we're forecast to be under budget by \$56 million this year. That's some good news for the people who are paying the bills as well.

Altogether, the deficit is forecast to be up by about \$55 million to \$2.036 billion. Inside that there's a \$625 million forecast allowance. This is the first year the government has had a forecast allowance. It's also been a year when we've had to draw it down and use it a bit. Normally, what would happen with the forecast allowance is that as the year progressed and we got a better read on where revenues were headed, we'd be able to start to shrink that forecast allowance as we got towards the end of the year. At this point, I'm not willing to do that. I think the risks to revenue are too high still. There's big pressure on that right now as a result of some of the Crowns and some of the energy taxes and revenues we collect, so I'm not adjusting the forecast allowance. That leaves us with a deficit this year of about \$2 billion. If you factor out the \$1.4 billion one-time pension adjustment, it's about a \$3.4 billion deficit, which is similar to what we reported in the last quarter.

There is where it's at. We're managing those things we can manage, we're adapting to the things we can't manage, and we're looking forward to next year, when we hope things start to get better.

Hon. G. Campbell: Any questions? There'll be a full report out tomorrow. It'll be out to all your offices tomorrow. Colin.

For Information: Health Services Update

Hon. C. Hansen: Thank you, Premier. I wanted to just take a few minutes to bring cabinet up to date on an incident which I think was probably the most serious compromise of patient care in the time that we've been in government. That was the closure of the emergency room at St. Paul's Hospital last Wednesday. Just off the top, I think the closure of an emergency room at a hospital the size and importance of St. Paul's is clearly unacceptable to any of us. Some of the media coverage that came across about the comments I made left the impression that I was somehow critical of the front-line staff. That is certainly not the case. In fact, I went out of my way to try to state that, clearly, the front-line staff were under huge pressure and that the system was failing them.

[12:30]

Last Friday Sindi and I went to St. Paul's and spent most of the afternoon there meeting with the front-line staff who went through that week of hell, basically, trying to do the best they could under very, very difficult circumstances and then ultimately trying to get an understanding as to what led to the ultimate decision to close that emergency room.

I think what came out of that discussion that Sindi and I had with the staff there is something that I've found over the last three years as Health critic and now as a minister in British Columbia. That's that some of the best ideas come from the front-line staff - from the nurses and the doctors that are really trying to make the system work and deliver that patient care that is obviously the central part of the whole system.

The crux of the problem that St. Paul's was facing is the ongoing nursing shortage. We have seen some very encouraging results from the announcements that Sindi made in August around the new nursing strategy. For example, the Registered Nurses Association is reporting an 81 percent increase in the number of nurses from out of Canada applying to come to British Columbia compared to the same period last year. That's clearly encouraging, but that's not happening fast enough to meet some of these very short-term problems that we have.

I wanted to outline for you some of the things that led to that closure - some of the problems. They are areas that I think we can deal with in the short term. First of all, what was apparent was that there was very poor communications. Each hospital in the lower mainland operates somewhat independently. What was so apparent when they were describing what they were going through and the phone calls they were making to the other nearby hospitals was that they were really disjointed. They were operating in isolation, and nobody could get the message through to other facilities as to how critical their particular situation was. So there was really a disjointed system that they were facing.

The second thing that was really problematic is the inflexibility that we have in terms of the collective agreements that they're trying to work in. Right now, in Vancouver alone - never mind the whole province, but just looking at the city of Vancouver - there are distinct employer groups with the different hospitals. When you wind up with one hospital that comes under serious pressures, as St. Paul's was facing, they can't move an emergency room nurse from a different hospital to come down and assist at St. Paul's. The only way we can do that today is to lay the nurse off and go through that

whole process and then rehire that nurse at another facility, and yet the two hospitals are only a couple of miles apart. Clearly, that is a frustration.

One of the other things this leads to is that hospitals rely on what they call rosters of casual nurses. I think there was reference to this earlier today. I think Gary mentioned the inability of hospitals to hire permanent nursing staff because of the fact that they were confined by their one-year budgets.

If you look at some of the more populated communities, each hospital has its own roster. What happens is that nurses want full-time jobs, and they want permanent jobs. What they will do in the interim is that they will get themselves on the casual roster list for several different facilities. So as St. Paul's starts going through their casual list trying to find the emergency room nursing staff that they need so desperately, they find that those nurses are engaged at other hospitals. Again, because of the restrictions that we've got in our human resource management system, largely driven by the collective agreements, you can't come up with sort of one pool of nursing staff that can be given full-time employment, which is what the nurses want, and then be able to allocate those nurses strategically to serve the needs where they're most critically needed.

Just as an aside to that one, I have been told that a significant number of our nursing graduates from British Columbia left this province this year. The reason was because they could not get permanent positions; all they could get was casual. So we've got all of these structural impediments in the system that are really mitigating against our desire to make sure that we provide priority patient care in British Columbia.

[12:35]

The third area that was obvious from the discussions is that we need to take a look at the way the B.C. Ambulance Service relates to our hospitals and to our emergency rooms. They have policies now around taking patients to the closest hospital regardless of the pressures at that hospital. Clearly, we need a better way of dispatching ambulances and a better way of triaging patients to the hospitals that are in the best positions to take care of them. I know some of you from outlying regions don't have different hospitals. You've obviously just got the one hospital, but there has to be better coordination between the hospitals, the emergency rooms and the ambulance service.

The fourth thing, which was quite problematic and bothers me, was the number of what they call ALC patients in acute care beds. These are alternative level of care. Some people refer to them as the bed-blockers. These are patients who are occupying an acute care bed when they don't need to be in an acute care hospital. In greater Vancouver today there are 13 percent of acute care beds being occupied by patients who should not be in an acute care hospital. Because of the relationship between the Ministry of Health and the health authorities, they operate at arm's length, but we have tried to give some very strong messages to those health authorities that they need to come to grips with their priority needs within health care delivery. We have extended to them the flexibility they need to deal with the ALC patients. Clearly, that was the crux of the problem.

At St. Paul's last week, they had 34 admitted patients who had been assessed, needed to be admitted to the hospital, and there were no beds. St. Paul's actually does not a bad job with their ALC. They're running at about 6 to 7 percent of their beds with ALC patients. Other hospitals in the lower mainland run as high as 15 percent. That's not acceptable, and we are now working on how we integrate those systems together and we get hospitals working cooperatively to help meet the needs of patients in British Columbia.

Generally, what came across in those discussions is that we really don't have a health care system per se. It is a disjointed series of services that lack good communication and lack the ability to really ensure that we can deliver priority patient needs. I guess the bottom line out of all of this is that we have some challenges we are trying to face on a priority basis right now to make sure that we can relieve the pressures from the emergency rooms, as we get into the December, January and February period, when there are huge pressures put on emergency rooms.

There are some short-term answers that need to be found, and we are trying to find those. I would like to be able to tell you today that there's not going to be another emergency room close in a major hospital. Quite literally, people are scrambling; the alarm bells are going off. We're trying to make sure that everybody who has health care responsibilities sees this as a priority and is dealing with it in their scope of responsibility so that we can make sure it doesn't happen again.

Premier, I just wanted to make sure everybody was up to date on this. While it's fresh on everybody's minds, there are some things that are instructive; there are some changes that we have to make; there are structural changes that we have to make.

Hon. G. Campbell: Thanks, Colin.

Any questions?

Okay, we're adjourned. Thank you.

The cabinet adjourned at 12:38 p.m.

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