



**TRANSCRIPT OF THE
OPEN CABINET MEETING**

WEDNESDAY, November 7, 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
Minister of Children and Family Development
Minister of State for Early Childhood Development
Minister of Community, Aboriginal and Women's Services
Minister of State for Community Charter
Minister of State for Women's Equality
Minister of Competition, Science and Enterprise
Minister of State for Deregulation
Minister of Energy and Mines
Minister of Finance
Minister of Forests
Minister of Health Planning
Minister of Health Services
Minister of State for Mental Health
Minister of State for Intermediate, Long Term and Home Care
Minister of Human Resources
Minister of Management Services
Minister of Provincial Revenue
Minister of Public Safety and Solicitor General
Minister of Skills Development and Labour
Minister of Sustainable Resource Management
Minister of Transportation
Minister of Water, Land and Air Protection

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

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

WEDNESDAY, NOVEMBER 7, 2001

The cabinet met at 9:02 a.m.

Premier's Opening Remarks

Hon. G. Campbell: Okay, everyone. We have a busy agenda this morning. This is the sixth open cabinet meeting we've done. The last one was two weeks ago. Today we have a number of issues that we'll be reviewing.

First, we're going to be dealing with the Lions Gate Bridge cost overruns that are expected. Second, we'll be dealing with a report from ICBC. Third, we will have the implementation of the Human Resources strategic plan and their shifts. We'll have the Ministry of Children and Family Development strategic shifts. That's part of our core review. We will have the Minister of Education and the Minister of Advanced Education also reporting on their core review discussions. This is a large agenda, so we'll get right to it.

The first item is Minister of Transportation, Judith Reid.

Lions Gate Bridge

Hon. J. Reid: Thank you. I do have to report on another disturbing trend in this ministry, where I've seen projects that we have inherited by the previous government and where there's been deliberate decisions made by that previous government to affect the reported cost of the project.

What you have before you today is the Lions Gate Bridge project. The work was started on that in 1998. The decision was made to repair the bridge. It has always been known that this was a complex project, the reasons for that being.... It's not that bridges like this hadn't been repaired before. It's that the bridge still had to be in operation while the repairs were undertaken, which has made the project very challenging and very difficult from an engineering standpoint.

[9:05]

It was well known that the project was going to be difficult and challenging. The budget that was allocated for this project was \$99.9 million, and another \$8.2 million was allocated for the causeway widening. Now, you might note that these two costs were separated rather than put together. There was an understanding that this project was supposed to be under \$100 million, so we see the first separation there of the budget items.

The project team requested a 15 percent contingency on this project because of the complexity and the engineering work that had to be done, and the previous government declined to assign a contingency to this. This is not normal practice. Any normal project would certainly have a contingency. In fact, a 15 percent to 25 percent contingency would be typical for a project of this size and this complexity. That was a deliberate decision that was made by the previous government.

By March of this past year it was known that there were problems with the project, obviously. The project is a year overdue, so there are increasing cost pressures. Certainly, when I took on this ministry, I was given a briefing within a few days of the facts of the Lions Gate Bridge project. There is a dispute resolution process in place, and there is a tentative mediated settlement that has now been reached on this. That's what I'm bringing forward to you today.

The difficulties in this project were not expected by both parties. Both the government and the contractor had assumed certain engineering criteria at the beginning of the project. Once the engineering was worked to a sufficient degree, some of those precepts were found to have to change and be adapted to. It was acknowledged that the complexity of the project did exceed the initial expectations. There was, as well, unanticipated work outside the scope of the project because of safety and environmental requirements, and if you need the details, I certainly can provide those for you. As well, the delay in the project has increased the project management costs, and engineering audit services have certainly been increased.

The work is continuing. We expect that there will be substantial completion of the work by December 31. However, the final paving of the bridge will have to take place in warm and dry weather, so we're expecting that next spring we'll be able to find the opportunity to complete the paving of it.

The costs that we're bringing to your attention today are: \$4.6 million because of the technical work and the safety requirements on the bridge; the unanticipated environmental requirements in Stanley Park, \$1.3 million; additional project management, engineering, cyclist, shuttle and traffic advisory services, \$3 million. Then the tentative mediated settlement of the contractors' composite claim is \$7.5 million, and we have asked for a contingency for the remainder of the project of \$500,000, for a total of \$16.9 million.

Hon. G. Campbell: Okay, I have some questions, and following the questions I have the Treasury Board minute. Rick.

Hon. R. Thorpe: Thank you, Premier. Minister, can you advise us when the government of the day knew that this project was an overrun?

Hon. J. Reid: I think that's a difficult question to answer because by not allowing for a contingency from the very beginning, there would be - and I would certainly have - the concern that the project would have great difficulty completing within its allocated budget. I would think that the suspicion of problems with the budget would have been there right from the very beginning. The definite information came in March of this year when the contractor put forward claims, and with the analysis of that there was certainly knowledge that there would have to be a settlement of those claims.

[9:10]

Hon. R. Thorpe: The fact that there was not a contingency would lead one to believe that you would be managing and observing and monitoring the costs under very, very tight parameters. So you're saying, then, that we knew - or the government of the day knew - in March of this past year that the project was in cost overrun.

Hon. J. Reid: There was definite claim documentation that was submitted, certainly by that time. There were different ongoing claims right from the early days of the project. Some of them were settled successfully in the government's favour, but by that time it was apparent that there was going to be a major claim that would have to be dealt with.

Hon. R. Thorpe: Thank you.

Hon. G. Campbell: Gary.

Hon. G. Collins: Thank you, Premier. I just wanted to comment a bit on Rick's question as well. You're right. It is unusual for a project of this size not to have a contingency. I mean, every construction project has some contingency. You hope you never have to dip into it, but it's not uncommon for that to happen. So the fact that it didn't have one, I think, was probably, one could say, deliberately poor planning or deliberately trying to keep the numbers lower than what people had originally talked about.

Certainly, I think - Judith, perhaps you can correct me - that when the project was initially spoken about, it was about \$75 million, and as it went along, it crept up. I guess this was an attempt to try and keep the figure lower.

Under the Budget Transparency and Accountability Act, which is what Judith is relying upon today to make this disclosure, it's required under law, when the project goes over budget by a certain percentage, that the minister make a public disclosure, explain why, etc., and then come to Treasury Board for the approval. We have the Treasury Board minute before us here.

The original overruns that we probably expected likely were less and did not meet the threshold for the Budget Transparency and Accountability Act requirement for disclosure. That was the case until such time as we reached a tentative settlement. That's why the Treasury Board minute actually is written in future tense. We have actually reached a tentative agreement, I understand, for the amount that's included in the Treasury Board number, and that actually puts the total over the Budget Transparency and Accountability Act requirement for the disclosure. That's why Judith is doing it here today.

I don't know, Mr. Premier, if there are other people on the list or if you want me to deal with the Treasury Board minute now.

Hon. G. Campbell: I have no other questions on the list. I just observe that we were told for an awfully long time that this was a fixed-price contract. That was sort of a standard format for the other government. They said that it was a fixed-price contract when it wasn't.

Hon. G. Collins: Yes. Every day there are new surprises. On this one, anyway, if I can just refer members to the Treasury Board minute, Treasury Board received a request from the Minister of Transportation and Highways saying that initially the request or the demand from the contractor was for about \$23 million in cost overruns. Through negotiations we came to a tentative agreement, and I believe the figure is \$7.5 million.

The Treasury Board has looked at this request and approved the increased amount in the budget as well as the supplemental of \$7.5 million for the settlement, as well as the \$500,000 contingency for the remainder of the project to be completed. This was approved by Treasury Board. It was also noted that all of this funding would be accommodated within the ministry's current capital plan, so they will be able to fit within the budgets of the overall capital plan budget that they have right now. Treasury Board approved that request and is now seeking approval from cabinet.

Hon. G. Campbell: Okay. Ted.

Hon. T. Nebbeling: Thank you, Premier. Judith, the line that Treasury Board has approved, then, these additional costs.... But then the statement goes on that any further costs will be funded within the ministerial budget. So what are these additional costs that could come to the surface, which you will have to cover then within your existing budget?

Hon. J. Reid: The projected budget that we have here, we believe, will accommodate the costs. We have included a contingency in this amount. I haven't been informed of anything beyond that, but I think there is a safeguard of saying that certainly if there's anything further, we're going to have to deal with that.

[9:15]

Hon. T. Nebbeling: Internally.

Hon. J. Reid: But there isn't anything that we have anticipated beyond what we're presenting here today.

Hon. G. Campbell: Gary.

Hon. G. Collins: Actually, Ted, I think what that sentence refers to is the additional funding above. That's right. It's not additional over and above what's being requested here. The additional costs related to this project, the ones we're discussing, will be funded through the ministry's existing capital programs. We're hoping there's no other amount above and beyond that. As Judith said, there is now a contingency in there for the completion of what work remains. I'm hoping we won't see them back here for more. My understanding is we're dealing with this finally here, although you never know.

Hon. G. Campbell: Okay. Geoff.

Hon. G. Plant: One more thing, I guess. The Treasury Board minute says that the \$23 million claim for compensation by the contractor included arguments that the Ministry of Transportation had misrepresented the complexity of the project at, I guess, the time it was originally tendered. Obviously, that's the dispute that's being settled. I don't think you can ever live in a perfect world where an owner can always prevent contractors from making arguments like that. Sometimes you have to test them in court to determine whether there is any substance to them. But I guess I do find it of some concern that we've got a contractor arguing that the Ministry of Transportation misrepresented the complexity of the project.

Does the settlement that's proposed contain any provisions with respect to admissions? Or are we just talking about doing a commercial deal to try to deal with the claims on a commercial basis rather than a legal basis?

Hon. J. Reid: The claims process is a mediated process. What happened was the project engineers did some preliminary engineering work which anticipated the scope of the project. The contractor also did some preliminary engineering work, and on that basis a contract was signed. Once the contractor proceeded with their work and it was well underway, they realized that some of those preliminary statements had to be changed. Both the ministry and the contractor did not anticipate some of the complexities they ran into.

There wasn't anything deliberate there. There wasn't anything that would be seen as inadequate work, I believe, on our engineers' part, but they were only at task to go so far in the engineering work. The conclusions they had drawn were agreed to by the conclusions of the contractor in the preliminary work. It was only upon advancing that work that they realized there were other problems that had to be dealt with.

Hon. G. Campbell: Any other questions? All right. That Treasury Board minute is approved.

ICBC Auto Insurance Rate Increase

Hon. G. Campbell: The next item on the agenda is a submission from ICBC. We're joined here today by Nick Geer, who is the CEO and chairman of ICBC, and John Hancock, who is the senior vice-president of the Insurance Corporation.

Nick.

N. Geer: Thank you, Mr. Premier. Mr. Premier, hon. ministers, ladies and gentlemen, I'm Nick Geer, chair of ICBC. With me is Mr. John Hancock, the senior vice-president of insurance at ICBC, who will help me out with some of the more detailed issues.

We're here today to recommend to you the approval of certain rate and product changes for ICBC. Rates and the format of our product have been frozen now for nearly six years, and we require changes to remove inequities that have grown in the products over time and to provide for an increase in revenue to restore ICBC to a break-even position next year.

Our proposal today is based on three fundamental business principles. These are:

1. To break even in 2002, after absorbing approximately \$100 million in motor vehicle branch operation costs, which we refer to as non-insurance business, and continuing road safety costs, which we believe impacts positively on our claims experience over the years.

[9:20]

2. To ensure that the basic mandatory insurance and the competitive operational lines of business are self-sustaining and that on an ongoing basis we do not cross-subsidize between those two lines of business.

3. That individual lines of business underwritten by ICBC are self-sustaining and do not involve cross-subsidization from other lines of business. This is proposed within the fair pricing policy, which we propose to continue with. That policy does not differentiate by reason of age, sex or marital status.

We announced when we published our six-month results that we were anticipating a loss in 2001 of approximately \$150 million, which included a one-time cost of \$50 million as a result of our voluntary separation packages offered during this year. We are also without rate increases, forecasting for losses to continue in 2002, which creates the necessity for this recommendation. Much has been made and will be made correctly of the confusion when you look at ICBC's results last year and compare it to this year, and you consider the fact that earlier on this year nearly \$220 million was refunded to policyholders by individual cheques. It's extremely important to understand that two significant areas, which are not present now and we do not anticipate having in the future, positively impacted the results in the past couple of years.

Firstly, investment income in the year 2000 included capital gains of \$283 million, of which \$288 million - more than the full year - in fact had been earned in the first three-quarters of the year, as opposed to \$55 million, which has been reported in the first three quarters of this year. This difference of over \$230 million is a result of a declining market over which we have no control. In addition, with declining interest rates and a significantly large component of our investment portfolio invested and earning securities, we will experience a declining rate of interest income as compared to prior years.

Secondly, in 2000, ICBC recorded positive variances from prior-year claim settlements of \$266 million, and an amount of \$238 million of the same was reported as positive adjustments in 1999. It's very difficult to explain quickly the reasons for these adjustments, but suffice to say that they are effectively a recapturing of amounts that were over-reserved in years prior to 1999. They were not the results of those years 1999 and 2000. The reason for this was an improvement in road safety over the last five to six years, which had not been anticipated in the actuarial results. This year and next year we are not currently anticipating any major adjustments from prior years as we believe that source of income has in fact run its course. Our road safety programs continue, but the continuing improvements in claims resulting from those activities have tended to flatline. I'd like to correct some misunderstanding that I believe is out there: we are not cutting back on CounterAttack. It's proved to be a very effective program. We are continuing it in full force and looking to see if in fact we can improve it.

In addition to the freezing of policies for a six-year period, this has created certain rate inequities, as the world has changed around us during that time. The freeze wasn't just for zero rate; it was zero rate across the board and no changes. ICBC is not relying solely on price increases to restore its

fiscal balance. We've taken steps and will continue to take steps to reduce cost and operate more efficiently. When our voluntary separation packages, which have now all been agreed to, have been fully implemented, we will have reduced the number of people working at ICBC by over 1,000 since the peak of the end of April this year - approximately a 15 percent decrease in the total complement. We continue to implement cost-control strategies at ICBC and continue to improve our fiscal fitness. In addition, although a number of our road safety programs which affect claim costs overall are mature, they are continuing, and we will be seeking and implementing new initiatives in the area of road safety in the future. But those are long-term effective programs.

I'd like just to pass to John Hancock, if I may, for some of the details of the submission.

[9:25]

J. Hancock: Good morning, Mr. Premier, hon. ministers. Thank you for the opportunity to share some information on our industry and ICBC this morning.

If I could just spend 30 seconds on the state of our industry, the property and casualty industry across the country, I think it would be useful. Our industry is in trouble financially. What has happened in the last couple of years is that claims have been going up and premiums have remained flat because of a soft market. And that was okay for the industry. That was fine for the industry as long as there was good investment income coming in and as long as they, too, were able to go into their prior year claims reserves and legitimately take some money out.

But the investment has dried up. There's no excess money left in the claims reserve, and the industry's in trouble. Large increases are being sought in the Maritimes. A major bodily injury product change, believe it or not, is being sought in the Maritimes. The government bodily injury plan in Quebec, after 17 years of being in the black, is now reporting a deficit. The trade industry magazines report that.... Our people in Ontario say that they're 25 percent rate-inadequate in their automobile portfolio in that province, and so on. Alberta, too, is seeking large increases.

All that is to say that ICBC is not immune to those pressures. We, too, have those negative things happening to us in this province - not as bad. The traffic safety initiatives and some claims initiatives that we launched three or four years ago have proven to be very, very successful and will continue doing so. We're not quite as badly off as some other provinces, but we do have the problem.

Nick alluded to three major thrusts, three principles, that we decided to run this corporation on. They're all based on good, sound business principles. One of them was to remove any rating inadequacies that exist. And we do have rating inadequacies and rating inequities in our portfolio. There are three that we're addressing in the package that's in front of you today. Although we're recommending a 7.4 percent average rate increase, we believe that we must deal with three areas where, quite frankly, there is a lot of unfairness going on. I'll go over those in a little detail.

The first one is in vehicle use. ICBC, like all automobile insurance companies, clusters those customers who have vehicles that are used for the same purpose. Around this table you have vehicles that you use for pleasure; that would be one cluster. You have vehicles that you use for your business; that would be another cluster. Taxis would be a cluster or a class. Buses would be another one. Trucks fall into several rate classes. They're not all pulling their weight from a loss ratio standpoint. We're losing quite a bit of money on certain of those classes. We do very well on other classes. Part of this recommendation is to take care of that inequity and bring back some fairness to our rating program.

The other area is in territory. We rate by territory, and not all territories are pulling their weight. In some territories we break even. We make some money. In other territories we lose money. We feel that should be taken care of in this rating package.

The other area is in the make and model of vehicles. The best way I can sum that up is to say that by and large, the luxury vehicles - the high-end sport cars, the muscle cars - are again being subsidized by the standard family car. We'd like to correct that rating inequity in this package.

All of these are part and parcel of the recommendation. So when we talk about a 7.4 average increase, it doesn't work out to 7.4 for everybody when we correct these inequities. What we'd like to do here is introduce the cure to this over a period of two to three years so that we're not too hard on any one class of business. The rate shock doesn't come in one full year. We'll spread it over two or three years if we have your approval.

The options before us were really only two. After we took care of our cost-cutting and looking inside our own shop to see what we could do, we only had two options. They were to run next year at a loss - and, as Nick said, that loss was going to be very, very substantial - or, after six years of a rate freeze, come to you to ask for some rate relief. Nobody likes coming to ask for a rate freeze, not in the least me. That's why we're here today. These really were the only two options that were viable for us.

[9:30]

The implications of what we're doing here? As Nick said, we're not touching the FAIR rating plan. That's a fundamental automobile insurance rating plan where we don't discriminate on the basis of age, gender and marital status. The young drivers, the new drivers, will continue to get a break from ICBC. As I said earlier, I don't like to stand in front of you recommending a rate increase, but I have to tell you that because of the inequities that we have to take care of, almost half a million vehicle owners will have their premiums reduced - not increased but reduced - by from zero to \$100 next year. Unfortunately, 1.5 million policies will increase by from zero to \$100. At the high end, 600,000 vehicle owners will increase by more than \$100, but those would have been, for the most part, those who had been subsidized in the past. Put another way, approximately 50 percent of our policyholders will experience either an increase or a decrease, plus or minus \$35.

The other implications. We very consciously and knowingly decided to mitigate the impact on our optional coverage by increasing the deductibles on collision and comprehensive in particular. That was a tough decision to make. We did consult with some customers, and they were pretty unanimous that given the choice, they would prefer to see an increase in deductibles rather than take the increase in rate. The reason for that is that deductibles hit only those who have claims, whereas a rate increase hits everybody.

Initially, we thought we would go with a blanket \$300 comprehensive deductible. On second thought, because windshields fall into that category, we said: "No, that's rather unfair to those in the north and the interior, where we have a lot of windshield claims." So we tempered that to a \$300 comprehensive deductible for all the other perils but \$200 for windshields.

The gradual removal of the subsidies means an increased cost for taxis, limousines and snowmobiles. Snowmobiles are a very, very expensive rate class for us. We spend \$1.50 on claims for every \$1 of premium that we take in on snowmobiles, so we're recommending a very high increase in the premium and the deductible for snowmobiles. The big increase will be for those who own luxury cars and high-end sports cars.

From a government priority point of view, it does restore this corporation to financial health. It does remove any suggestion, by the end of the year, of a subsidy between the mandatory coverage, which you must buy from ICBC, and the optional coverage, which is a competitive product. There's no impact on the regulatory burden; there is no change in the number of regulations.

From a timing point of view, if we should receive approval for this recommendation, we would make these changes effective immediately on any new business coming to us. The changes on renewals would be effective January 1, 2002.

N. Geer: Just to wrap up. The full details of the recommendation went before the board recently. The board is unanimously in approval of this recommendation. The thrust, as we have outlined, are the three basic principles that we were to implement in the company and continue operating. We will operate this company as a business - fiscally sound and in shape for you, representatives of our shareholders.

In conclusion, what we are recommending today, with the unanimous approval of the board, are measures to make ICBC financially sound, to adjust for inequities and to provide for a revenue base to cover what otherwise would be projected losses in 2002. The overall recommendation is for an increase in the average rate of up to 7.4 percent - made up of an increase in our basic rates of 6.6 percent and on our optional rates of 8.7 percent, on average - and for increases in deductibles with respect to collision, comprehensive and hit-and-run. We're also recommending a number of adjustments to remove inequities in rating territories, vehicle type and vehicle uses and other changes to our optional policies to match the requirements of today's markets.

[9:35]

Before handing it over to you for questions, I would like to cover off, with this opportunity, a couple of other issues which I think are important in the overall financial picture of ICBC as we find it today. At

the beginning of this year ICBC issued and mailed - at a postage cost of in excess of \$1 million, I may add - in excess of \$218 million of refunds of premiums to drivers in British Columbia. This was done at a time when it was known that equity markets in North America were deteriorating. It was unlikely that the unusual gains experienced in the year 2000 would be repeated. It was also done at a time when it was known or should have been known that ICBC had been rate deficient for at least a couple of years as a result of a premium freeze. This dividend has significantly impacted the rate stabilization fund of the company. In addition, during 2000 and in the early part of 2001 a fairly significant cost increase was being experienced as a result of the increase in the number of personnel employed by the company. That situation has been and continues to be corrected.

Secondly, in the summer of 1999 ICBC acquired property in Surrey and committed to construct a major development comprising over 1.2 million rentable square feet. Based on the lease commitments currently in place and on prospects for the future market, we are in the process today of obtaining independent valuations on this property based on its completion. Although the construction of this product is on budget and on time in accordance with the original budgets, these valuations, which have not yet been completed, indicate that based on an independent market value of the property on a self-standing basis, ICBC would experience a loss or decline in value of between \$80 million and \$100 million. It should be noted that as of September 30 of this year, the market value of other investments held at ICBC exceeds our carrying value by approximately \$180 million. Overall, we are in excess of carrying value on our Surrey property. It is a significant hole.

The other issue that we as a board looked at to assure ourselves relative to financial health was whether our actuarial reserves are adequate. We conducted an independent review using external independent actuaries during the year and have concluded that they are adequate; they are fine. We're in good shape. We were satisfied with that number. That's another very large number on our balance sheet.

With that, I'd like to just throw it open for questions. John and I are available for questions by anybody here.

Hon. G. Campbell: I'm going to start with a couple. First, John said that we lost rate fairness. I'm wondering what processes were gone through. For some reason, there didn't seem to be very much in the way of commercial fairness with regard to that, so we're suddenly now faced with these jumps in rates, and some of them are substantial. When we talk about averages, it reminds me of the person who drowns in a river that's got an average depth of six inches. Some of these rate increases that you're proposing for industry are going to be substantial, and I don't think we should hide them today. I want to know how that happens. Where was the policy set that there would be cross-subsidization between classes? Why was it set? What was the commercial basis for that?

J. Hancock: Thank you, Mr. Premier. There was no deliberate policy to have this cross-subsidization occur. A couple of things happened. On the one hand, you had deteriorating loss ratios in some of these classes, but the big issue, as Nick explained, was that for six long years we were unable to deal with this. We had a rate freeze imposed on us that said: "You cannot raise anybody's rates." We tried to interpret that one day to say: "We'll make that a zero impact across the board, and we can move premiums around." That wasn't what was intended. We were unable to touch any of these rates for six years.

Hon. G. Campbell: Where was the direction coming from that said that wasn't what was intended?

J. Hancock: I wasn't in the chair at that time, but I would have to think it was from the board of directors.

Hon. G. Campbell: From the board of directors. Your board of directors directed you that there should be no rate increases, there should be cross-subsidization, there should be no upgrading of rates, of costs, and that in fact you wouldn't carry out a commercial operation.

J. Hancock: As I say, I wasn't in this chair at the time, but I believe that to be the case.

[9:40]

Hon. G. Campbell: Can you tell me what the rate increases are going to be, please - the vehicle rates that you're talking about? The taxi groups, the limousines, etc. - what are the rate increases that you're looking at there?

J. Hancock: I looked at a couple of fleets. A couple of taxi fleets were in the region of 14 percent. A couple of truckers were in the region of an 18 percent overall increase for next year.

Hon. G. Campbell: Can you tell me where the decision was made? Did the board make the decision that in fact there would be a cross-territory subsidization?

J. Hancock: Again, I would have to believe that that would be the case.

Hon. G. Campbell: Any other questions? Rick, Kevin, Sandy, Greg, Gulzar. I'll come back to this other side in a minute. Rick?

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

I've very, very troubled by this. I'm very troubled by this presentation. In doing my own research, on your website under "Frequently asked questions" on the customer rebate, it says that the rebate was preferable to lowering rates due to the company's success in keeping the total cost of claims stable, allowing ICBC to freeze rates for the sixth year in a row. I think, Mr. Hancock, you just maybe gave us an indication that that wasn't perhaps the case. When did ICBC realize that in fact this was not the case and that the claim costs were rising substantially?

N. Geer: From my research, what I've done and have had done is that I've gone back, as I think any insurance company should do on a regular basis, and looked at not just fiscal years but at claim years. What impact do you have in claim years? That way you smooth back prior adjustments into the year in which they actually are effective or where they arise.

What shows up when you do that is that in 1999 and 2000, we were clearly rate deficient. That should have been known at the time. Whether it was known or whether it was not known, I do not know, but it should have been known at the time. Actuarially, our actuaries were well aware that we were rate deficient at that time.

Hon. R. Thorpe: Thank you.

Prior to the rebate announcement by the Premier of the day and the former minister responsible - and that totalled \$218.5 million, I understand - was the financial position for the future forecasted in any format and given by senior management to the board before the ICBC rebate was issued?

N. Geer: There were projections given for the year 2001. They were given in the form of a range. The board decided to select the upper end of that range in projecting 2001. Management gave a range which went from the upper end to a deficit.

Hon. R. Thorpe: You're asking, on average.... I totally agree with the Premier that averages is a cute game, but what we're doing now is asking British Columbians to have their premiums increased - in some cases, substantially - in very, very tough economic times. My review of your administration and your overhead numbers does not indicate or show to me that you're sharing very much of the pain. In fact, your costs are going up. Why should taxpayers and citizens of British Columbia be having rate increases when the overheads continue to increase at ICBC?

N. Geer: Minister, they shouldn't. As I say, we have now taken out of the staff complement of the company a thousand people, a 15 percent increase in seven months once the voluntary separation packages are fully effective. Next week we are moving out of executive offices downtown that should never have existed. They are being cancelled next week; they are being sublet. All of our offices are being moved to where they should be, which is on Esplanade in North Vancouver. We're moving out of one and a half floors at the Landing, which should never have been occupied. That is up. I am, in fact, negotiating a sublease on that property as we speak today. We are moving out of a number of territories. We're cutting costs wherever we can. We've made a substantial move on that.

Those results will show up as we move forward. They don't show up in the year to date, because they're not effective in the year to date. When you cut costs, sometimes you have to spend money up front to do so for it to be effective later on down the line.

[9:45]

Hon. R. Thorpe: In the briefing document that's attached to the submission, I see that insurance operation expenses - which, when I read your annual report from the year-end, are part of your overhead costs - are in fact going up. I think British Columbians deserve a full analysis of what's happening with the \$750 million in overhead expenses at ICBC, as part of you showing them and the organization showing them that in fact they're addressing these excessive costs.

N. Geer: I think I commented that we have addressed it. The historical expenses are higher, which is why we are addressing them. The effects of the steps that we've taken in the last few months are

showing up now. They will show up as people leave, as the reduction in staff actually occurs and we lower our total staff complement by 15 percent. Our budgets going forward in 2002 indeed show that reduction - a fairly significant reduction. The staff reduction costs are somewhere in the region of \$60 million to \$80 million savings in the company, being implemented as we speak today.

Now, there are institutionalized contracted increases that occur because of the union contract that was negotiated that expires in June 2003. Those are contracts that will offset some of the savings. Those savings are expenses that otherwise would have occurred if we had not taken those steps.

Hon. R. Thorpe: How many staff does ICBC have in the government relations department?

N. Geer: The government relations department, as I understand it, was approximately 117 people. It will be down to 60 next week or within two weeks. We are reviewing that, and I think it will be substantially reduced below that. We've got a 50 percent reduction within about three months, and there's more to come.

Hon. G. Campbell: I would say that ICBC will be subject to core review. That core review will be coming up within - I don't remember how many weeks - the next few weeks.

Hon. R. Thorpe: Thank you. That raises the question, too, Premier: why is this rate increase coming forward now, before the core services review is completed?

N. Geer: Minister, we have a business to run. We are facing losses. We have been frozen in our revenue source for six years while facing continuing cost increases over that period of time. It is essential, I believe, to run a business soundly. Those are the steps we are taking. One of the issues we have to deal with is revenue. That is the reason for the recommendation: so that we can indeed break even in the year 2002.

Hon. R. Thorpe: It sounds like that might be a refreshing approach.

Hon. G. Campbell: Kevin.

Hon. K. Falcon: Thank you, Premier. Allow me to vent for a moment, if you will.

Nick, I know you've just been there for five months, so I think you're starting to move down the right road in terms of getting a handle on costs. But I really want to emphasize that I think there has been a staggering level of incompetence at this corporation. I think we ought to call it for what it is.

I find it very frustrating that we're sitting here looking at higher premiums and reduced coverage for the insured. That's what it is; we're doubling deductibles on the comprehensive and specified perils and on windshield claims. So there's a \$200 deductible on windshield claims. How many people are likely to go and actually get ICBC to do that? Probably very few. Hit-and-run claims are going up to \$750 deductibles. I think what we're doing is really hurting a lot of the folks out there that are essentially not going to be able to access the insurance.

You know, we've got a corporation that invested in real estate development - which we now understand could lose up to \$100 million - and that was giving \$100 rebates only eight months ago, when it was clear that that was an irresponsible move to make. Perhaps the previous government applied political pressure, which I imagine was probably the case. Also of concern to me is that ICBC only brought about changes in the optional coverage when private sector competition started to come into play. We know about the anti-competitive trade practices that were brought to bear against the corporation from the federal government.

[9:50]

I guess when I read through this package, I'm frustrated because the tone, to me, suggests a defence of the status quo: ICBC really is doing a good job; it really is competitive with all the other provinces; it really does have a pretty good expense ratio. Well, if it's so good, then let's open it up and see what happens with real competition. Then when you say that, what you hear is: "Oh, we can't possibly do that. It wouldn't be fair." Suddenly there are all these reasons why they can't possibly compete.

I find this very, very frustrating, and I would just like to echo Minister Thorpe's comments to you, Nick, because I recognize that one of the biggest problems with this corporation has been political interference. It's certainly not our role to be telling you what rate increases should be. I recognize that, but I want you to take back with you the frustration that we have - certainly a lot of folks from my community have - that you ought to be doing a heck of a lot more on the cost side with this

corporation. I would strongly encourage you to do that, because this is just very disturbing in my view.

N. Geer: Minister, my four and a half months of my part-time job....

Hon. G. Campbell: How's it going so far? [Laughter.]

N. Geer: Ten hours a day, nine days a week, so far.

It probably has given me more frustration than, I believe, it may have given you and your people. We are doing what we can. We are taking what I believe are in fact major steps. We are reviewing everything that we have; we are reviewing it from stem to gudgeon. We are looking to see not only how we can cut costs but how we can continue the programs that I believe are effective for the people of this province, particularly in the road safety area, and in fact improve this company. My mantra.... I'm a businessman. This company will be run as a business. It will be run effectively as a business, and that's part of the recommendation you're getting today.

Hon. G. Campbell: Thank you. Sandy, followed by Greg and Gulzar.

Hon. S. Santori: Two questions. First of all, back on the expense side. What are ICBC's expenses in proportion to its total commissions and benchmarking that against the private sector?

N. Geer: Let me pass that over to John, if I may.

J. Hancock: Minister, we benchmark quite well. On the distribution side, the acquisition cost side of our business, the industry pays, on average, 12½ percent on acquisition costs. We pay, as I think you know, 7½ percent to our brokers, so we benchmark quite well.

On administration costs, you'll see that we're bringing down the admin costs from, I believe - I don't have the document in front of me - 8.2 percent to 6.9 percent. These are all couched in terms of percentages of our premium. We benchmark quite well. Is there room for improvement, as was suggested here? Yes. And we will improve.

Hon. S. Santori: Maybe the question should be expenses as a percentage of total revenue compared to the private sector.

N. Geer: The numbers that I've seen, Minister.... In fact, we benchmark favourably. We are below, in percentage, the groups that we've looked at. We are benchmarked favourably. I think we can do more, but we are benchmarked favourably.

Hon. S. Santori: Sorry to push on this. Is it 60 percent as a percentage of revenue? Is it 70 percent?

N. Geer: Sorry, is it...?

Hon. S. Santori: Are the expenses 60 percent of revenue, 70 percent of revenue?

N. Geer: If you exclude the revenue that we remit to the province, which I think you should exclude because it's not revenue that we keep, I believe the number is around 21 percent.

A Voice: Yes.

N. Geer: It's coming down. I'm forecasting out. It's coming down to about 21 percent, I believe. I think it's been around 25 or 26. It's coming down to around 21.

Hon. S. Santori: One other question. I totally agree that our liability premiums should not be subsidizing the optional coverage. Having said that, is there a danger, with the increase in the basic coverage and the increased deductible in the basic coverage, of opening the door for independent brokers to be increasingly selective against the corporation and putting the good business with the private sector, leaving us with the garbage and, of course, significantly poorer drivers and higher losses?

N. Geer: There is always a risk. We intend to meet that challenge. There is always a risk on market share when you open yourself up, as we are intending to do. We will try and meet that challenge. That risk exists. We believe that is occurring today to some degree. We believe it will continue. It may continue more, but that's the nature of the business we're in. That's our commitment: to run this business on that basis.

Hon. S. Santori: Have we made projections based on previous experience...? Mind you, we haven't had a rate increase for ages, but what percentage of the market share are we anticipating losing as a result of these increases?

[9:55]

N. Geer: We believe that through 2002 we will in fact hold our market share. We believe that we will, so we will attempt to do that.

Hon. S. Santori: The \$8 million surplus, then, is assuming that we will retain 100 percent of the current market share that we currently have?

N. Geer: I believe it's an \$8 million loss being projected in 2002. By the way, that \$8 million effectively came from the board. The management submission was for the windshield deduction to be \$300. The board lowered it to \$200. That resulted in the \$8 million loss at the bottom of that line. We will make every attempt to make sure that does not occur and return to lower expenses to cover that.

Hon. S. Santori: Having been an agent for some 20 years, I would suggest that assuming that we are going to retain all of the existing business is somewhat reaching for pie in the sky. We should assume that we are going to lose a percentage, that clients are going to their brokers asking for lower premiums to compete with this increase. I don't think we should be of the illusion that we are going to be retaining our market share. If the \$8 million actually accounts for a retention of market share, I think we're going to be in for a big surprise. The \$8 million loss may be \$25 million or \$30 million.

N. Geer: We believe that there may be a slight loss in market share. I don't want to take the time to go through individual rates with this committee. But when you go through individual rates, we still believe that by and large we will remain competitive in the areas we are competitive in today.

Hon. G. Campbell: Greg.

Hon. G. Halsey-Brandt: Good morning, gentlemen. I have three, I hope, very quick questions.

This is to John. You talk about next year, 2002, your administration expense ratios coming down to 6.9 percent. This would be a result, I take it, of your staff reductions and your reduction of floor space for your real estate and that sort of thing.

N. Geer: Exactly.

Hon. G. Halsey-Brandt: The other thing - and you touched on this - is the Drinking Driving CounterAttack in the high-accident intersections, which I think has been a very, very successful program. You're confirming this morning, in fact, that those are continuing, although I understand the intersection programs are perhaps plateauing in terms of getting a bang for your buck and in terms of your investment to fix up some of those high-accident intersections.

N. Geer: I think what you'll see in programs that we've instituted is that they will create significant savings over time for the company. But eventually they'll run their course. We intend to keep them in place so that the savings we've achieved are maintained. To continue to increase savings, we must introduce new programs and be more innovative. That we intend to do.

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

The final point. You mentioned your real estate holdings in Surrey and some other places. There's going to be, I assume, a significant loss. These are next year's rates. Are you going to move into - I don't know - a three-year rolling average or something that the consumer can...? You're going to take some big hits, I take it, next year or the year after that in some of those real estate investments. How are you going to ameliorate that in terms of the policyholders so that they won't see spikes in their policies in future years?

N. Geer: That's a very good question, and that's the reason I mentioned that we regard Surrey as an investment, unfortunately. Amongst other investments, on an overall basis, we are still market value in totals above cost. So we in fact can absorb because of other gains that exist there. If that loss did not exist, we would have more increases on the gains. We factored that in.

If you pass this resolution or recommendation, when these rates are put into the year 2002, as I'm sure you'll realize, they will only be effective really for half of the year. The average premium will

renew sometime at the end of June or the beginning of July. So this rate increase is effective for really only half a year for 2002, and that is how we have run our numbers. For 2003 it is fully effective. We've run our numbers through 2003, and as we sit today, we don't believe that we've got a problem in 2003. We believe we will break even in 2003 as well.

[10:00]

I would caution everybody that the one number in our numbers that we have to project, which we do on an actuarial basis, and that we have some control but not total control over is claims. A 1 percent change in claims up or down is a \$20 million impact on the bottom line. A snowy day can be \$5 million or \$6 million. We think we've projected conservatively. My mandate to our accounting people is to be realistically conservative in our projections. We believe we have other costs we can take out of this operation that we've not necessarily budgeted for, and we intend to. But that claims number is a number that if we have terrible weather for a couple of months- or good weather for a couple of months - can really bounce around on you.

Hon. G. Halsey-Brandt: Thank you.

Hon. G. Campbell: Gulzar.

Hon. G. Cheema: Premier, I just want to take a sip of water. It's very frustrating to see that they were deceitful. Those cheques were sent only six or seven months ago, and now ICBC is asking for raises. Can you tell me how you're going to communicate with the public? It's good that we are being educated and we understand. It's even taken a long time for us to know what's happening. How would you tell the average person that what happened six months ago will never happen again?

N. Geer: I'll try to answer that, minister. It is an extremely difficult question. I've laid out for you the \$230 million and \$270 million, numbers that occurred in the year 2000. Apparently, a previous group of people justified those cheques to be mailed. Both those numbers are not repeating in the future. We don't know what the markets will do. They may go up; they may go down. The magnitude of those numbers we do not believe will repeat in the future. I will be trying to explain that, as will our people, to the extent we possibly can. Trying to explain actuarial theory to anybody, including myself, is extremely difficult. That was the justification, apparently, for those cheques to be mailed. I'm going to attempt to explain it. It is difficult.

Hon. G. Cheema: My second question is about your Tech B.C. building in Surrey. You know, seven of us in Surrey are struck with the same question every day: how was this irresponsible decision made? How are you going to explain it to the public in our ridings? Are you planning for any consultation process, of going and explaining to them that we are stuck with a \$100 million bill?

This is reflecting on all of us. It's not only on you and the others who left us in a big hole. I think it is such an irresponsible thing that they did. How do we explain it? On May 16 we all got in, and since May 16 we have not become expert on every issue. It's very difficult for me and Mr. Falcon and many more in Surrey to explain why we cannot proceed with Tech B.C. So I would like you to go there and please explain to them that it's not our fault. It's not your fault. It's somebody else's irresponsible, irrational and deceitful decision that was made. Can you follow up on that?

N. Geer: Myself and my board have been in place since basically July and have inherited what we've inherited. The decisions we will make are decisions that we will make given the situation that we find ourselves in. We will not make irrational financial decisions. We will make rational financial decisions given the state that we find ourselves in. I can't change history; I can't change what happened yesterday. What I can change is what happens tomorrow, and that we will do.

With respect to the use of that building, some of those areas are not in my control. I can tell you that it was justified to some degree by a prior group on the basis that a substantial portion of the operations of ICBC would move into that building at a substantial cost to the operation, which was outside of market value. That has changed.

We will make our decisions going forward based on a sound financial analysis. We will make the right financial decisions, but I can't change history.

Hon. G. Cheema: Just a final question then. You said that you will be taking care of road safety and those measures. Can you give us some idea how much ICBC is costing the health services by year?

J. Hancock: Was the question how much we put into the health....? I don't have that exact figure with me. I think it's in the region of \$20 million a year.

Hon. G. Cheema: Thank you.

[10:05]

N. Geer: Could I just respond to that as well, Mr. Premier? The numbers that people perhaps do not realize are contained in ICBC - the number on the health care that John has just mentioned.... Our road safety expenditures average between \$20 million and \$40 million - sometimes as high as \$50 million a year. We bear costs on what would perhaps be considered to be motor vehicle branch operations of around \$97 million to \$100 million. All of these expenses are in ICBC, and they are actually borne by the basic insurance - not by optional but by basic insurance. So there is in excess of, I would suggest, \$150 million of expenses being borne in there, covered by those basic premiums.

Hon. G. Campbell: Okay. First, I want to be clear that no decision has been made on Tech B.C. yet. It's still part of what we're going through. I think there's no question that the value of the real estate is substantially less than was on the books.

Hon. G. Cheema: Mr. Premier, just a second. I just want to make sure that I simply asked the question. It's a question from the constituents. They're asking us how come we are losing so much money because ICBC made a decision to buy that building. I just want to clarify.... We have not made that decision, but it's simply a question on behalf of my constituents.

Hon. G. Campbell: Okay. Dick, followed by Ted, Rich, George, Geoff and Mike.

Hon. R. Neufeld: Thank you, Premier.

A number of questions. I went to page 20, and you say the largest increase is for territories. When we're talking about territories, that will be the Fraser Valley, Maple Ridge, Pitt Meadows, the Cariboo territories and, I assume, farther north. When I go to your page 29 and look at the cost of insurance, you use Vancouver as a benchmark. The north would be obviously higher than Vancouver, I'm assuming, just because it usually is. The difference between a two-car family with no accidents, using the median range in Calgary, is \$690. Now, if I take that and change it to the north, I can probably add a few hundred more dollars onto that, because the cost of insurance in Grande Prairie will be about the same as it is in Calgary. I find that to be absolutely quite out of whack with the private sector. Even a single female with one comprehensive claim over her entire driving career is going to be over \$100 higher in Vancouver as compared to Calgary, so I assume if I go farther north, it will be quite a bit higher than that.

Commercial vehicles, you say, are 18 percent. But you show nothing in here about how that compares with the private sector in Alberta, which we compete with. Is it 18 percent Vancouver compared to Calgary, or 18 percent northeast B.C. compared to Calgary? Can you tell me?

J. Hancock: If I could just respond to your question. This is not our survey. The survey was done by the Consumers Association of Canada.

Hon. R. Neufeld: Well, you put it in here. I mean, I can't go by any other surveys. What are you giving me?

J. Hancock: I have to say that the greater Vancouver area is the highest-rated part of the province, if you take all the coverages.

N. Geer: Could you just repeat that that's relative to the north?

J. Hancock: Relative to the north, yes, Vancouver is higher.

Hon. R. Neufeld: All right. Hey, that's great. I'm glad this is recorded, and I'll take that to the bank, because we will actually have a lower rate differential than between.... For the same family, a 1995 Chrysler or a 1996 Dodge Caravan, driving to work, one personal use, no accidents, some 50 years old, their rates are going to be lower than the \$2,375 that I see up here from ICBC. I can take that to the bank?

J. Hancock: In global terms, yes. It would depend on the individual.

Hon. R. Neufeld: I can take that to the bank. Okay.

I've got a couple of other questions.

N. Geer: Could we answer the 18 percent on the commercial question?

J. Hancock: The 18 percent on the commercial. The question asked by the Premier is what the increase is likely to be on taxis and trucks. I wasn't using the 18 percent to compare to Calgary or Toronto. It was a couple of actual fleets that I looked at where the increase for next year appeared to be in the range of 14 to 18 percent. It had nothing to do with comparison with other jurisdictions.

[10:10]

Hon. R. Neufeld: Okay. Could you get me that information, please? Send it to me sometime.

I have a couple more questions. The cost of glass insurance. I'm not disputing; we break a lot more windows up north than they do anywhere else. I see some pretty substantial businesses that actually only provide glass replacement. It says to me that there is a fair amount of money in replacing glass in the ICBC system. I drive a fair amount in Alberta, too, and I don't recall seeing extensive buildings advertising glass replacement in Alberta. I don't know about the other provinces because I don't get that far east. I know there are firms that will actually go out and buy glass in Alberta and put it in themselves, because it is one whack cheaper than going through ICBC. Can you respond to me what you have done in ICBC to reduce the costs on glass replacement?

N. Geer: Could I take that? The whole issue of procurement within ICBC is an issue we have under review. ICBC has been required in the past to conduct itself on a certain basis. That basis has not necessarily been a sound business base for ICBC and its customers. My criterion is what is good for the customer, and that is how ICBC should be operated. We are looking at a number of programs, possibilities and possible changes. We're not going to please everybody, but what we want to do is be customer friendly - what is good for the customer. You've touched on one that we need to look at, think about and are thinking about.

Hon. R. Neufeld: Two more quick questions. One, CounterAttack. I believe ICBC pays the cost of RCMP officers carrying that out. I don't dispute that it's a good program. Is there some way that ICBC has some control over those costs? As I understand it now from good sources, it's the choice almost of the RCMP officer in the division, with a little bit of direction, on CounterAttack. Like, Saturday I can go out and do some CounterAttack on speeding or those kind of things. They have a term for it. What do they call it?

A Voice: Corridor patrol.

Hon. R. Neufeld: Corridor patrol. I can get eight hours' overtime, knock off 25 tickets, and I'm gone. They're usually printed before they leave the office. Is there some control that you have on that kind of thing? You just pay the overtime costs and all the costs associated with it, yet you get no revenue for it.

J. Hancock: Minister, I believe that if I'm paying for it, I should have some say in how the money is spent - and we do.

Hon. R. Neufeld: So there is now a program in place where you're going to have a little bit more direction in how that happens.

J. Hancock: Yeah. We have to balance what I just said against not stepping in and telling the police how to do their business.

Hon. R. Neufeld: I appreciate that, and I understand that.

One last question, Premier. Claims centres. In the private sector when I drive through Alberta, I see absolutely no claims centres. At least I haven't found any. I've found some pretty fancy ones in British Columbia in every community. It's not just down here. I see them in Fort St. John, Fort Nelson, Dawson Creek. In every community you go to, there's this huge garage where you can drive in - and the further south you get, the bigger the garage. You have someone that directs you to a certain lane, right here in Victoria. You can sit there and read your book or whatever, and finally someone will come out, look at your claim and tell you whether they're going to do it or not. How does that compare to where the private sector does it? In Alberta I see no claims centres, where you drive in and someone from the insurance company comes out and views your vehicle. I think there's some huge dollars invested in claims centres that are absolutely needless.

N. Geer: The operations of ICBC, both with respect to the way in which insurance is delivered to a customer and the way in which claims are handled, has tended in the past to be relatively seamless,

relatively well operated and cost efficient in fact. The claims centre idea, I think, was a good idea at the time. I think it works well, and I think it has worked well. We're reviewing that. I believe that as technology moves along, new ways of delivering a product and delivering a service become available and become necessary. The property investment in the claims centres....

I used to work for Jimmy Pattison. I see a whole bunch of future supermarkets. I don't think we've got a problem in the value of the property in the claims centres, to be honest.

[10:15]

The way in which we will deliver that service will be reviewed on the basis of what technology is available. ICBC, because of its mandate and its size, has been capable of delivering a service in an economic way different from the way others would deliver it who have not had that ability to use the economic size that ICBC has had. The claims centre idea created a relatively good, seamless and efficient way of delivering a service. It's been effective. We need to move on. There is different technology, there are different ways of doing things, and we will be looking at that from a cost-effective perspective.

Hon. R. Neufeld: I appreciate that and the largesse of ICBC being able to do that, but you try to tell that person, that two-car family with no driving claims, that they're going to pay \$700 more in British Columbia to have those same cars than they are in Calgary, Alberta, where they don't have these huge claims centres and all those other things. You tell me it's a real good investment and it pays off and all those kinds of things. I think you'd be hard-pressed to tell that person, when they're writing their cheque: "We're giving you a really good deal. It's only costing you \$700 a year more."

J. Hancock: I take your point. I think you also have to compare the coverage that comes with your policy in the province of Alberta. The medical and rehab coverage in the Alberta policy is limited to \$10,000; ours is \$150,000. So it has to be an apples and apples comparison.

N. Geer: In fact, in a number of cases that person probably isn't insuring their optional insurance with us today.

Hon. G. Campbell: Okay. We're not going to have a debate here, Dick, about that.

I've got Ted, Rich, George, Geoff, Mike and Linda.

Hon. T. Nebbeling: Thank you, Premier.

One of the problems I've had with ICBC for a long time is the fact that much of the premiums paid by the clients of ICBC doesn't really go towards covering claims but is used for many other, in my opinion, unrelated uses. Just to give you some examples: the willingness of ICBC over the last couple of years to have supplemented the Highways department by paying for certain renewal projects on our highways. To me it is totally unrealistic and something that is outside ICBC's mandate to pay for highway upgrades, and the same for intersection upgrades. Also, the enormous amounts that have been spent over the last years to promote how well ICBC is doing, like half-hour infomercials on a daily basis on many radio stations and all of these kinds of things. The one that always irked me the most was photo radar. I have, during various estimates, asked about the financial consequences of photo radar on ICBC and the premium payers, and it has always been very difficult to get any numbers.

Also, I've really never been able to get it confirmed, but my suspicion has always been strong that when, on the one hand, the premium payers of British Columbia have paid for the infrastructure and operation of photo radar.... I've never been able to see where the revenue from tickets or violations went. I hope to have this opportunity today, through you, to find out what indeed happened. Was the revenue offsetting the costs to ICBC, or was there another strategy in place? Maybe I'll leave that for a moment, and then I'll come back later today.

J. Hancock: Thank you, Minister. The entire fine revenue from photo radar would go to the province. We would pick up the costs of running it. What we do retain are the driver penalty points that are on your licence, which you would pay on your birthday if you have tickets. We do retain that as driver penalty point premiums.

Hon. T. Nebbeling: I don't think that is going to give much comfort to the premium payers, sorry to say. Can you give me an idea of what kind of...?

Hon. G. Campbell: Can I say one thing about that?

Hon. T. Nebbeling: Yes.

Hon. G. Campbell: Some of those issues are actually policy and mandate issues that are decided by the provincial government. We've heard today about the financial mandates that were given by the previous provincial government. They were wrong. We've heard today that the wrong discipline - it was a political discipline as opposed to an economic discipline - was imposed. There have been policy decisions that have been made by the provincial government that include ICBC, motor vehicle acts, etc. - right?

All of that will be covered by the core review. This is not part of the core review. Prior to the core review the board is coming to us and saying: "This is what we need to put this on a sound financial, business-like footing." If we can, I'd like to try and keep focused on that today. We should understand that I'm not saying, "Don't ask the questions," but let's keep focused on that. The core review will come back to us, as I say, in the next few weeks.

[10:20]

Hon. T. Nebbeling: That's excellent, Premier. I will leave that one, because I did get the answer on the two aspects of who pays and who takes the revenue. You gave me that answer.

There was one point I wanted to quickly raise. During your introduction you talked about how young drivers do not have to worry that they will be impacted with large increases because of what's happening today with ICBC. It's no secret that insurance companies, including ICBC, have often identified young drivers as a higher risk than other drivers. My question is: what is the rationale for ICBC to exclude, to a certain extent, younger drivers at this point? I hope all the decisions that are part of the restructuring or the validation of the increases are based on sound financial principles and not on what is hanging out there in the back of my mind: the idea that young drivers are often used as an example of why the private insurance industry is not really a good option for British Columbia and that ICBC is somehow tapping into that sentiment by saying, "We will exclude young drivers from further financial pressures," knowing that private industry, in the opinion of ICBC, will put more pressure on young drivers.

I'm looking for sound financial principles driving your request for an increase rather than strategies for dealing with private industry in the future, if indeed that becomes a reality in British Columbia.

J. Hancock: Thank you, Minister. You're correct. Young drivers, new drivers - not every one of them, but as a homogenous group - are more likely to be involved in an accident than mature drivers. It's been provincial policy for the last 21 or 22 years that we would not discriminate on the basis of age, gender or marital status. We're simply carrying that policy out. It's not enshrined in any statute; it's simply provincial policy.

Hon. G. Campbell: Rich, George, Geoff, Mike, Linda.

Hon. R. Coleman: Thank you, Premier.

First of all, I'd like to say that I'm glad to hear you're not cutting CounterAttack. I guess you realize that's been quite topical in the last few days. Having said that, I have some concerns about how you deliver it, how you measure it and how the dollars are spent.

When I have police agencies in my office, as Solicitor General, telling me that they don't want to lose CounterAttack because they actually make money on CounterAttack, that gives me a concern that the dollars aren't being spent totally on CounterAttack. The relationship between an insurance company paying something that could become a profit centre to another agency and not actually getting the deliverable is a concern of mine. I would like you to look at that during your core review. I'm not going to ask you to get into a debate about it today, but I do think you should work with my ministry to get good coordination on how those dollars are spent and how we actually get the measurables for traffic safety and crime prevention.

On the other side of this, I believe we gave you a mandate as a board. We gave you a new board and a new board of directors because we want you to run this corporation, and I think it's our responsibility to give you that opportunity. You brought us something today that bothers some people, as one of my colleagues mentioned: the increase in deductible on collisions relative to a hit-and-run. There has always been some balance of responsibility in insurance such that if you want to have a lower coverage, then buy the coverage. So that doesn't bother me.

My concern is this - and I have two questions. They haven't been asked today, and I'd like to ask them as bluntly as I can. Relative to the rate freeze for the last six years and relative to the rebate that was given to people in the province earlier this year prior to an election, do you have any record of cabinet, the minister of the day or the Premier of the day telling the board what to do?

N. Geer: I've not seen any record of that at all. I am aware that not only was a premium discussed, but the board even discussed a rate decrease. The management refused. I've not seen any of the information that you're asking.

Hon. R. Coleman: Okay. That's fine. I think that was a question that needed to be asked.

The other question I have is: because you're a corporation, why are you a break-even corporation? Are other insurance companies running as a break-even corporation?

[10:25]

N. Geer: We're running as a break-even corporation. Private enterprise clearly operates on a for-profit basis. I'm told that property and casualty companies in North America today are earning 2 percent on capital, on average.

We have a capital base of approximately \$400 million; 2 percent would be about an \$8 million profit if we were running for profit. That's pretty close to break-even. It's about a third of a percent on claim differentials.

We're running break-even, absorbing the sort of costs that we've been talking about. Our \$400 million or \$450 million of capital, or thereabouts, is absorbing non-insurance costs, I believe, well in excess of \$100 million. That's a policy issue, and I understand that. If that wasn't there, we would be running at a fairly successful return on capital.

Hon. R. Coleman: Well, Nick, then I guess I can just wish you luck.

N. Geer: Thank you.

Hon. R. Coleman: The \$150 million decision you're making for the people of the province.... What we have to deal with today, I think, is what would be compounded, increased and added upon over a period of years if we don't do something else with your corporation - get on solid financial footing. Would that be fair?

N. Geer: That would be fair.

Hon. R. Coleman: Thank you.

N. Geer: I just would like to make one comment on an issue that you raised. My statement with respect to CounterAttack is not in response to the comments that were made. We never intended to reduce, nor have we reduced our expenditures.

Hon. R. Coleman: No. I didn't suspect that. I knew it was going to be quite topical; it's been asked four times today around the table.

N. Geer: We will take up your offer. I think that's what we need to do.

Hon. G. Campbell: George?

Hon. G. Abbott: Thank you, Premier.

I have questions on the impact of the rate increases on commercial trucks and, secondly, on snowmobiles. I want to start with the more serious one, which I think is the impact of the rate increase on commercial trucks. Certainly, I don't think it's any secret that the trucking industry is facing some very severe challenges in the current day. I guess, as we look at our budgets, we try to look at disproportionate impacts, and I think that may be something we have to look at here as well. The trucking industry faces not only severe challenges around the cost of fuel but, of course, since September 11 some unusual costs in relation to crossing the border, which many truckers need to do.

As well, particularly in a couple of very important sectors of our provincial economy, I think a rate increase of between, say, 14 and 18 percent or perhaps even more in some cases will create a couple of endangered species in our logging trucks and agricultural trucks.

One of the phrases you mentioned earlier on was rate shock and the notion that the corporation would, where appropriate, act to try to deal with rate shock, particularly where it would be troublesome to a sector. Is there a strong case to be made here, given some of the challenges facing the trucking industry, for measures to be taken to ensure that we don't unduly harm that industry?

J. Hancock: I think I used the phrase rate shock. When we try to do this over two to three years, that is our intent: not to have any one segment of industry with a sudden increase in their costs.

At the same time, if we're to break even and we don't get the money from that source, it really means we've got to go elsewhere for the premium. You get more involved in more subsidy for the rate classes. So yes, we could, but to break even, it would mean picking up \$8 million to \$10 million more from other parts of the community.

Hon. G. Abbott: Thank you.

The second question is around snowmobiles. I guess it's rather less serious in some respects than my concern around the future of the trucking industry. I know for sure that I'm going to catch hell big-time where I come from around these rate increases for snowmobiles. The snowmobile is a huge winter tourism industry in the interior and other parts of British Columbia, and I suspect that there will be some impact of these rate increases on that industry. Most snowmobiles are used recreationally, but not all of them. Some of them are used for employment purposes - timber cruising and that kind of thing.

[10:30]

My question would be this: given what is expected to be a 100 percent increase in premiums for snowmobiles and a huge increase in the deductible - I think from \$100 to \$1,000 - are we creating a situation where snowmobilers might be inclined not to insure at all and therefore put us in jeopardy in other areas?

J. Hancock: Thank you, Minister. It's not clear, but those rate increases are on their own damage - the insuring of the snowmobile itself. There is no increase in the liability premiums for the snowmobile.

Hon. G. Abbott: Thank you.

Hon. G. Campbell: Thank you, George.

Geoff, Mike, Linda.

Hon. G. Plant: My two comments are really sidebar issues, but they've been sidebar issues throughout this discussion, so I just want to make them briefly anyway. There's been talk about CounterAttack, and we've identified that there are policy issues there that are perhaps unrelated to the specific issue that you're bringing forward. I just want to speak to that for one second.

Sometimes it helps to be clear about what the issues are. When we talk about CounterAttack, we're talking about a police program. For me, the policy issue around that police program is whether the program should be paid for by people who buy automobile insurance premiums or whether it should, like other police services, be paid for by taxpayers. I'm sure we're going to have that conversation in the fullness of time.

The second thing has to do with the age discrimination issue, which has also already been raised. Part of the challenge we all face here is that we need to start talking about these things in a way that makes better sense.

I don't say this at all critically, but during the course of the original presentation Mr. Hancock used a way of talking about this that is quite typical. He spoke about how young drivers get a break from ICBC. In fact, young drivers don't get a break from ICBC; young drivers are subsidized by people who are in age cohorts that don't have the same rate of accident increase.

We make a statement. The manager of ICBC doesn't make this statement. This is a policy statement we make as a society about human rights in relation to age discrimination. We need to start to learn to become more honest about the fact that it's not free and that most of us around this table are in age cohorts where we're actually subsidizing, through our insurance premiums, the generalized higher-accident experience of young people to the tune of some millions of dollars, I would think, in the context of the business of ICBC. I'd be interested in knowing if, in fact, you keep track of the

extent of that cost or if it's something that's just assumed to be part of the business because of the policy decision.

Anyway, those are a couple of points I thought needed to be added to the broader discussion, even though they don't relate to the specific issue of the rate increase.

Hon. G. Campbell: Thanks, Geoff.

Mike, then Linda.

Hon. M. de Jong: Mr. Geer, this'll be short. I know you're going to core review, and I know that you are bound by existing legislative requirements, but I've got to tell you - and I've waited a long time to say this - that the notion of a group of politicians sitting around to set commercial insurance rates defies logic. Please remember that while you go through this process. Thank you.

N. Geer: Thank you. I won't comment.

Hon. G. Campbell: I might, at the end. [Laughter.]

That was Mike, wasn't it? It's the shortest thing Mike's ever said in cabinet; I'm thrown off. Linda, followed by Shirley, and then we're going to close with Gary.

Hon. L. Reid: Thanks, Premier.

I've yet to meet an ICBC employee who has not been granted some kind of car privileges. Can you give me the extent of that policy? Perhaps that'll be something that's covered in core review?

N. Geer: You're looking at one right now. There are car privileges for the senior executives of ICBC - very similar to what you would find in many corporations of a similar or smaller size.

Hon. L. Reid: My understanding is that it was much more thorough in the corporation.

N. Geer: We changed earlier on this year, in April or May. We've started to change all of our car policies. We are now in fact looking at recovered cars through the ICBC claim centres to use for executives of the company and to provide them to lower that cost.

[10:35]

Hon. L. Reid: Second question: the philanthropic past that ICBC has engaged in. In my ten years of being elected, I haven't been to many places where there hasn't been a substantial million-dollar-plus grant, gift, subsidy of some sort provided to a range of agencies across this province. What is the extent of that policy, and will it continue?

N. Geer: It's changed. At our first meeting with the new board we eliminated significant numbers of programs that were in place, authorized by the previous board. There were some fairly well publicized ones. We changed millions of dollars of programs that were previously in place. Where you do see the words Road Sense or ICBC identified, you will tend to find that identified with respect to road safety programs to highlight the consciousness of road safety, which I think is necessary. You will not see a great deal of branding anymore. You will not see a great deal of support for institutions that do not bring financial benefit to ICBC. If there is financial benefit, then we look to support. If there isn't financial benefit, we will not look to support.

Hon. L. Reid: Thank you.

Hon. G. Campbell: Shirley?

Hon. S. Bond: This will be brief, Premier. I just wanted to make a comment. One of the things you've said is the fact that severe inequities have developed over time. I'm perhaps not as expert as some of my colleagues are about rates and how they work, but I just want you to answer this question for me. If you live in a particular area of this province, drive a particular type of vehicle for a particular reason, what is the cumulative impact of the rate inequity situation that you are about to correct?

J. Hancock: The worst would be to be at the top end of the calculations I gave earlier. I think there were 600,000 people who were going to pay \$100 - zero to \$100. I forget the figure - it's in one of the appendices here - where it could go as high as \$500.

Hon. G. Collins: It's a low percentage.

J. Hancock: It's a very low percentage.

Hon. S. Bond: No, I'm asking you the cumulative impact in terms of percentage for that particular group of people who, in essence, are going to pay a severe.... To respond to severe inequities which have developed because of mismanagement over time or an inability to deal with that situation, really, describes for me rate shock. George has mentioned rate shock by sector, but there are people who are going to, in essence, pay the price because of the inequities that have developed. The Premier made reference to that earlier on. I'm concerned about the cumulative impact for those people.

J. Hancock: You're likely to be driving one of those high-end vehicles that I talked about earlier. There is a list of the top 12, and they are pretty high-end - Lamborghinis, Rolls-Royce, Aston-Martins, things like that.

Hon. G. Campbell: If he's worried about his insurance, he shouldn't have the Lamborghini.

But the cumulative impact, Shirley, at least in terms of the report that I've got here - bottom of page 20....

Hon. S. Bond: Yeah, I read that.

Hon. G. Campbell: If this is correct, there'll be no more than a 20 percent increase from the combination of changes in territory and vehicle use. Is that correct?

J. Hancock: Yes.

Hon. S. Bond: Sorry, Premier. That's exactly what I wanted to have verbalized, because other people haven't seen that. But you are, in essence, going to mitigate some of that by minimizing the impact of 20 percent. Because if you add it up, it's significantly more than that.

J. Hancock: But that 20 percent, if I may, is on the territory and the vehicle use. Then there's the rate for the vehicle make and model. That could go up - could go up - four rate groups. Each rate group would be 12 percent. But we're now talking definitely about those very, very high-end vehicles.

N. Geer: This is one of the problems when you take something and freeze it for whatever reason that is not economic and allow no changes for six years. Somebody with a Lamborghini is going to get rate shock.

Hon. S. Bond: I'm not necessarily concerned about the person with the Lamborghini. I'm just concerned about the principle of allowing the kinds of things that have occurred to go on - allow this type of inequity. I'm not concerned about the Lamborghini driver. I'm concerned about people who live in the north - for example, my colleagues. We're talking about snowmobiles. We're talking about windshields. We're talking about significant, cumulative effect for people in this province because bad decisions were made around how to manage this enterprise.

N. Geer: We agree. Under our mandate and under our governance, that will not occur. We have to correct it. If we were to continue to pay what we're paying on the material damage on snowmobiles for the premiums that we're collecting, somebody else has to fund it.

Hon. G. Campbell: Gary.

[10:40]

Hon. G. Collins: Thank you, Premier.

I have a couple of questions, too, that I wanted to ask. Earlier in your presentation, Nick - I think it was around the issue of the rebate - you said that management gave the board a range of \$2,000 with a certain profit figure at the upper end. Then the lower end is a deficit, and the board shows the upper end. Can you give me those numbers?

N. Geer: That was the range for the forecast for 2001, Gary, when the forecast for 2001 was being debated.

Hon. G. Collins: When was that being debated?

N. Geer: That was being debated in the fall of 2000.

Hon. G. Collins: What were those numbers?

N. Geer: I can't quote those numbers to you off the top. I do not have them in my head. I believe the upper end was the number that the government was given, which I believe was \$85 million.

Hon. G. Collins: Seventy-five million.

N. Geer: Seventy-five million. The lower end, to my memory, was a deficit.

Hon. G. Collins: Now, there was a fair bit of discussion about it, and that's why when I heard you say that it tweaked my attention. When I was sworn in as minister, I recanvassed the Crown corporations and said: "Give me your latest update, because we're putting together an update for July 30." We received back from ICBC the figure of a \$35 million profit as opposed to \$75 million, which is what the previous Minister of Finance had put in his budget. Prior to the election, when the Legislature sat in the spring, there was a fair bit of discussion in the legislative chamber about whether or not ICBC's revenue number or profit number was realistic. There was a great deal of discussion at the time about whether or not B.C. Hydro's figure was accurate. We now know that neither of them was accurate.

Can you tell me what happened between the time that the new government was sworn in and the \$35 million figure was given to me to put in my budget on July 30? What discussions took place? I certainly never saw a range from ICBC. I got a figure from ICBC. I questioned it. I asked about it, and I was assured that that was the figure.

N. Geer: There were two specific numbers that I questioned and that have occurred. One is \$50 million for the voluntary separation packages which we have put in, which would not have been known before because that program was not underway. That was a new expenditure that's been put in the numbers now for the forecast we're giving for this year. That would not have been there before.

The other major number, and there are a lot of minor numbers, is the actuarial forecast on claims. We took a number originally - not we; not me and not John but the company - that was in the beneficial range of claim experience. If I remember rightly, it was \$2.6 billion. We have increased that number to a range which we believe is more likely, although we are still waiting, of course, for these next two or three months. They're the major months of claims, and there can be significant swings.

Hon. G. Collins: I understand that.

N. Geer: We increased that by \$80 million in our forecast.

Hon. G. Collins: Around that period of time there was a range. The range was, we now know, about \$75 million or \$85 million on the good to a deficit on the bad side. We now have factored out the \$50 million adjustment of restructuring costs at about a \$100 million loss for ICBC this year. My question is: was that in the range of what was presented?

N. Geer: No. That is beyond that range. The range was less than that, but the numbers we are giving you now are based on what I believe are realistically conservative numbers. That's the mandate we have for 2001. That's the mandate we have for 2002.

Hon. G. Collins: I've been asked, and perhaps you can explain to cabinet and my colleagues, about the rate stabilization fund. Can you explain that to us?

N. Geer: I asked that question a number of times. I didn't understand the words. For those in this room who are used to reading balance sheets, that's called retained earnings. It's just a fancy way of looking at the retained earnings on the balance sheet and calling it a rate stabilization fund.

Hon. G. Collins: The reason I'm asking this is because Joy MacPhail, who was the minister responsible for ICBC through this latter period, is quoted as saying that there is some big rate stabilization fund that we can use to not bring forward these rate increases.

[10:45]

N. Geer: No. The biggest problem we have is that we are underreserved, and our retained earnings - which I prefer to use and which I think is a more understandable word - are lower than they should be in this company. It was lowered by \$218.5 million of a dividend that was paid out at the beginning of this year.

Hon. G. Collins: I guess I'd like you to answer the question that she asked me: where is the rate stabilization fund, and why aren't we using it?

N. Geer: The retained earnings of the company are below where they should be. We need to bring this company into financial health. To bring it to financial health we must at least break even. We cannot dip further into retained earnings. That is the reason for this recommendation.

Hon. G. Collins: I want to ask a couple of questions, if I can, about the Surrey centre project. That is a project of a little over \$200 million all in.

N. Geer: It's \$250 million.

Hon. G. Collins: It's \$250 million all in. We now believe we will probably, depending on the final figures, find out that it's worth between \$80 million and \$100 million less than that value.

N. Geer: Correct.

Hon. G. Collins: What sort of planning was done prior to this project going ahead? What sort of market evaluation or what sort of cost analysis was done prior to approval of this project?

N. Geer: A substantial amount of cost analysis was done. I question the veracity of it. I question it significantly. It was justified based on a rate to be charged to the operations of ICBC for a substantial amount of space that was way above market. It would just have had to be borne in the operations of ICBC. It would be left pocket, right pocket.

One of the first things I did when I got there is tore that up and told the operating people and the property people to sit together and decide on what a fair market rent would be if those operations were to move. That has been done. It substantially reduced the amount of income that would otherwise flow to the project.

In addition, the project was justified at a rate of return which was significantly below what is reasonable for a project of this kind. The rate of return, or a cap rate, on this project is a double-digit number. When it was approved, it was approved with a significantly lower number as a justified rate of return. When we're valuing it, we're valuing it as a stand-alone real estate project on real estate principles with a reasonable cap rate. That is part of the number.

Hon. G. Collins: The members of cabinet who sit around this table were elected to represent the shareholders of ICBC, the people who own ICBC. You've been in the private sector for a long time. I won't say a long, long time, because I don't want to insult you, but a long time.

N. Geer: A long time.

Hon. G. Collins: What would have happened if this project had been done by a company in the private sector and the developers, the owners of the company - let's say the board of the company - came back to the shareholders and said: "This is the challenge that we face"? What would likely have happened in that case?

N. Geer: Firstly, the project would never have been done. That's the first point. This was not done for fiscal reasons; it was done for other reasons.

Hon. G. Collins: Do you know what those reasons are?

N. Geer: I would only be guessing, as we could all guess within this room, but I find no financial justification for the existence of the project. The first answer to your question, Minister, is that it would not have been done.

The second answer to the question is that those who were responsible for authorizing it would no longer be in the company. That indeed is the case.

Hon. G. Collins: Good. Can you tell me if all the costs of this project were in the budget originally?

N. Geer: There were probably a series of budgets. The budget that I have seen for the construction of the building was in the budget, and it is being constructed on that budget and is on budget. But one number that was not brought forward and was not in any budgets that you saw or I saw was the cost of moving and the cost of equipping this building for ICBC to move in. There was a number spoken of, which was \$88 million, that was in addition to the cost of the building. That is no longer the case, I may add. That number had not been included in any budget I saw going forward.

[10:50]

In my first pass-through of this, I am guilty of missing that. I saw the number, but I just assumed it was part of the \$250 million-plus of the construction. It was such a large number I couldn't believe it was an addition to it. It is indeed an addition to it. That number no longer applies. A substantially lower number will apply if we move a smaller segment or a portion of ICBC into that building. The decision will be made on a financially sound basis, as will all decisions.

Hon. G. Collins: Now, your former employer, Mr. Pattison, is known for stepping in and picking up companies that aren't doing terribly well and turning them into fairly profitable companies. I expect you had something to do with that. Looking at your role here at ICBC now, would you say that the previous board chairman and the shareholders represented by the previous government ran this company in a way that was transparent and open to the people who own it?

N. Geer: No. For example, I changed the reporting system in the company immediately. That was to show those expenses which I do not believe are related to insurance. We are showing separately now what we're calling non-insurance expenses.

We've adopted three mantras. We ask ourselves the question, whatever we do: what is good for the customer? That is how we will be driven. We will only deal with facts, we will only deal with true facts, and we will only make decisions on facts. We will drive for financial fitness, financial responsibility and a culture of a performance. That is how this company is now turning, and that is how it will be driven in the future.

Hon. G. Collins: I just want to say a couple of other things. All the ministers around this table for the last three or four months have been going through a core review process, which I know you're preparing to go through as well. They've also been going through a process that tries to set their budgets around what comes out of core review in a way that they can deliver on those core services in the years ahead.

Ministers have found that challenging. They have had to look in a whole new way at what government delivers and how we do it. I know that ICBC is going to have to go through that core review themselves - not just what the company is going to look like, but what's the size of the company, and how does it operate?

You made some comments to some of my colleagues here about looking at administrative savings. I would just encourage you to continue to do that. I expect that you'll find at core review that the questions will be tough. The questions you got here today - I think it was Rick Thorpe who asked them - are just a small measure of the kinds of things that we'll be looking for as we examine this company and the other Crown corporations as well. I would encourage you to do that, and I know you will.

On the other side of the equation, when I was informed in September about this new number that ICBC was putting forward, this very significant loss, I made it clear that ICBC had to stand on its own feet. It had to get its costs under control, and it had to balance its revenues as well. What happens today if you go ahead and implement the cost measures, but cabinet doesn't approve any of these rate increases? What happens to the company, and what happens to the ratepayers in the long term?

N. Geer: The company would experience a loss if we stayed with the rates as we have them today. Based on our conservative forecasting, we believe the company would experience a loss of somewhere between \$100 million and \$120 million or more next year, in 2002.

Hon. G. Collins: On top of this year.

N. Geer: On top of this year, a further loss eroding its retained earnings to a point which is dangerous.

Hon. G. Collins: What happens to the ratepayers in the long term when that happens?

N. Geer: ICBC will, at some stage, be incapable of operating. The detrimental fiscal cost of that to the province as a whole is enormous.

I thank you for your comments, Minister. They are right on point. I agree with every one. I should say that there hasn't been a question asked by Minister Rick and others in this room that I haven't already asked. I have asked a lot tougher.

Hon. G. Collins: Well, I expect that we're all going to get asked even tougher questions by the people out there. I can express my frustration with having to come in, after some years in opposition, and clean up these messes, and I know that other ministers are finding it as challenging. I'm glad to hear that you're taking a bit of the burden as well.

N. Geer: I wish to take the burden. That's what I'm here for.

[10:55]

Hon. G. Campbell: Okay. I would like you or Mr. Hancock to go through the changes in rates and the range of changes in rates for territory, for vehicle use, for type of vehicle. I don't want to leave averages out there. I want to leave ranges out there, because the first thing that will happen if we leave averages out there is that the first person that gets a higher-than-average rate increase will say we're misleading.

Let's go through that, and then I'm going to sum up here. Go ahead.

J. Hancock: Thank you, Mr. Premier.

I asked the other day: how many actual rate premiums do we have in our rate manual? There are half a million individual rates in the manual, so it's extremely difficult to sum up every single rate class and every single....

Hon. G. Campbell: Page 20 is good. Let's pull it together here quickly and get on with it. [Laughter.]

J. Hancock: What we're talking about here is an average - and I stress again all of the caveats that have been given this morning - of 7.4 percent. In addition, we will be rearranging the increases or decreases on territory to the point where we could go as low as a 5 percent decrease. The cabinet summation shows exactly which territories those would be.

Hon. G. Campbell: Let us know what they are.

J. Hancock: They're Vancouver Island, for the most part, and the Sunshine Coast.

A Voice: John, this is within the 7.4 percent.

J. Hancock: It's within the 7.4 percent - right. Everything I've talked about here is within the 7.4 percent.

The largest rate increase is in the Fraser Valley, the territories within the Fraser Valley. The reason for that is that the Fraser Valley territory is about 40 years old. It was set about 40 years ago, in the days when the Fraser Valley was rather detached from the metropolitan area. Of course, the people who reside there these days are commuting into Vancouver. What's happening here is that there's some catch-up. So the largest increase, from a territory standpoint, is in those territories.

Hon. G. Campbell: Just read these, John.

J. Hancock: Okay. That could be a 6 percent increase within the 7.4 percent.

Hon. G. Campbell: Okay. Let me read this, and you tell me if this is what I should know. In terms of the territory, the range of change is from a 5 percent decrease to a 6 percent increase.

J. Hancock: Correct.

Hon. G. Campbell: That's the range. I'm not asking for anything else. It's the range.

The largest decreases are on the north coast and on Vancouver Island and the Sunshine Coast - correct?

J. Hancock: Correct.

Hon. G. Campbell: The largest increases are the Fraser Valley, Maple Ridge, Pitt Meadows and the Cariboo territories.

J. Hancock: Correct.

Hon. G. Campbell: Can you give me the same kind of rundown for vehicle classes?

J. Hancock: Okay. We will run from a 10 percent range, a 10 percent decrease. Those decreases are going to trailers. Not all trucks are taking an increase, you see. Moving trucks are actually coming down. Some chartered buses will come down. The largest increase is 13 percent. The range is 13 percent on the increase. This increase is for taxis, limousines, delivery and courier vehicles and some chartered buses travelling short distances. You'll notice we actually name a particular fleet on that page.

Hon. G. Campbell: Vehicle?

J. Hancock: From a vehicle standpoint, the range will be a 25 to 30 percent increase, and that increase will be on luxury vehicles.

Hon. G. Campbell: That's 25 to 35 percent.

J. Hancock: It's 25 to 35 percent on luxury vehicles and, as I call them, high-end sports cars. We could have a 25 percent decrease to a 25 percent increase on some other vehicles. The largest decrease, 25 percent, will be going to, as I call them, the older, family sedan-type vehicles.

Hon. G. Campbell: I recognize the difficulty in trying to find something that we can talk about, but I think it's important to us for people to understand that these averages are just averages. There's no one in this room that I can think of, probably, that has an average rate. I think that is important for us to know.

I understand, too, that what you're asking us to approve here is.... You're also going to be sensitive to trying to make sure that you minimize the rate impacts on people as we change these and move to more of a business orientation.

J. Hancock: Correct, sir.

[11:00]

Hon. G. Campbell: Thank you very much.

The issue that we're dealing with here today is actually a difficult one. I'm sure all of you have the same sense of frustration around the table. We have a Crown corporation, which is supposed to be there to serve the public interest, that has basically not been forthcoming with regard to information that should be available to the motorist, even in terms of information that should be available to Members of the Legislative Assembly. It has not once, since I've been elected until today, actually come and made a presentation to either.... Well, it may have to a cabinet, but it certainly hasn't to a legislative body.

This is the beginning of what will be significant changes that this corporation and other Crown corporations are intended to meet. Having said that, it doesn't reduce the impacts on people's automobile insurance rates should we decide to do this. The fundamental question we have to ask ourselves is: are we prepared to move forward with assigning the responsibility of carrying out the ICBC operation on a break-even basis? Are we ready to impose a discipline that says there will be no cross-subsidization from basic lines to operational lines? Will there be no subsidization of various lines of business within the Insurance Corporation of British Columbia?

That's the fundamental principle we're asking ourselves. We have appointed a new board with a new chairman. Initiatives have been taken to give us the news, as bad as it may be. I think that the way the former government dealt with this was not just deceitful. If it was in the private sector and I was a shareholder, I'd be seeking action against some of the things that they did. They did not operate this company the way they should have, and I think that everyone pays a price for that. I also think we have to deal with it sooner rather than later.

I think that everyone around the room and the public should know that ICBC will be going through exactly the same level of core review that the rest of government has gone through. Our goal is to open it up and to have it serve the public. The detailed questions on administration and the discussion that we started to hear here today, which we want to keep away from, will be carried out in front of a legislative committee. ICBC, like other Crown corporations, will be called to a legislative committee and asked to be held to account for its performance and what it's doing.

I want to say that as difficult as this decision is, I think it makes sense for us to move forward with the recommendations that the board brought to us today. I want to thank you, Nick, for coming and your board for the efforts that you've undertaken to date. Let's hope we can get this insurance corporation

on a sound financial footing so people in British Columbia have a sense of security in the long term about what they can expect and how they can carry out their lives. Any comments on that or any concern with that direction?

Okay. Thank you very much. I appreciate it.

The next item on the agenda is a presentation from the Minister of Human Resources with regard to his core services review and implementation plan. Murray?

Implementation of Ministry of Human Resources Strategic Plan

Hon. M. Coell: Thank you, Premier. I'm pleased to be able to speak with cabinet today about the progress that the Ministry of Human Resources has made as part of the core services review. As you know, we completed phase 1 at the end of August and phase 2 early in October. Through the core services review, the ministry has received approval for a dramatic shift towards a new vision of welfare in British Columbia. We're developing a strategic plan for implementing the approved changes, and I would like describe those changes to you today.

We're calling the new system of welfare B.C. employment and assistance. As you know, the ministry's budget is \$1.9 billion, and it is the third-largest after Health and Education. Each month programs and services are provided to more than a quarter of a million British Columbians through income assistance for individuals and families, support for people with disabilities, community support services and many labour market programs.

[11:05]

We looked at our ministry programs based on the core services tests of effectiveness, public interest, affordability and the role of government in the economy and in the lives of British Columbians. The review showed us that the welfare system encourages dependency and represents a waste of people's potential. The core services review showed that more than 6 percent of the British Columbian population receives welfare. About 40 percent of all single parents in the province receive welfare. About 70 percent of welfare recipients older than age 35 have a welfare history of longer than ten years. As you can see from this chart, single men represent 39 percent of welfare recipients today. Single women represent 24 percent of the caseload. Another very significant issue is the number of individuals who cycle on and off welfare. About two-thirds of income assistance cases that leave after six months return within half a year. We want to address these problems and to allow individuals to meet their full economic and social potential in British Columbia.

What do we need to change? The most fundamental change will be from a culture of entitlement to a culture of employment and self-sufficiency. I believe the system we have today does not allow people to make the most out of their potential. Welfare is not an answer for people with disabilities who are able to work and want to work, it is not an answer for employable young people, and it is not an answer for people who've cycled on and off the system for many years. Welfare dependency in British Columbia is very real. In the long term it doesn't do the individual any favour and does nothing for the economy and our society. I firmly believe that people can break free of this cycle of dependence. This cultural shift may not be easy, but I believe it is vital and it is inevitable as we sustain a safety net for those who are in real need.

We will be changing the eligibility criteria for income assistance to focus on employment. Employment plans will be required. Those who need assistance will receive it, but our ministry will remain the payer of last resort when all other sources of income are exhausted. We will measure the performance of our programs based on outcomes. For example, training will be provided to acquire specific skills leading to specific jobs. The bottom line will be whether people move away from welfare into sustainable employment. We will also introduce new compliance rules which will state the individual's obligation to complete their employment plan. This will include monitoring efforts to find employment, more comprehensive reporting requirements and actions being taken for those who do not meet the obligations that they have committed to.

As a result of the core services review, we have set out a number of strategic shifts for the ministry which are represented in a new set of principles. Personal responsibility instead of a culture of entitlement. Active participation, where all employable people are expected to seek work or seek training. It must be fair and understandable, reducing the hundreds of regulations we have within the ministry. We're going to develop partnerships with innovative approaches with communities, industry and individuals. We want to build citizen confidence in the welfare system. We want clear outcomes and success measures that shift to a performance-based delivery and assigned accountability so that all components of the welfare system have clear accountabilities.

These principles underpin a new ministry mandate which focuses on moving people into employment, providing job placement and training programs that move people into these employment opportunities, and providing assistance to those who are truly in need. I firmly believe, as I believe all around this table do, that the best social safety net is a job - permanent employment. We need to get people back to work with the right tools, the right motivation, the right training and the right employment programs. We are committed to breaking down the barriers to employment so that people can become financially independent.

[11:10]

In many cases, individuals lack job skills. We want to make sure those people have the job skills through proper training. We recognize that not everyone is able to work. For them, the social safety net of income assistance will remain. However, we are also mindful of our responsibility to the taxpayers to make sure that welfare goes to those who need it.

We have set out a new vision and a new mission for this ministry. Our new vision is one in which British Columbians are achieving their full economic and social potential. Our new mission is to provide the services that move people into sustainable employment and assist individuals and families truly in need. Within this framework we have identified our core programs: temporary assistance and services which lead to sustainable employment and assistance for shelter and support for those most in need. To provide these core programs, we need to redefine welfare and what that means for change.

We will need new legislation to accomplish these changes. Right now the ministry operates under four different B.C. Benefits acts: Income Assistance, Youth Works, Disability Benefits and the BC Benefits Appeals Act. We intend to roll these into one. This will streamline our legislation and regulations, provide greater clarity to staff and the public, and reflect our new directions. Premier, it will also respond to your direction to me that the ministry move to a single internal appeal system.

Right now there are a variety of categories of income assistance: Welfare to Work, Youth Works, disability level 1, disability level 2, age 65 plus, child in the home of a relative. We're proposing two broad categories of assistance: temporary and continuous.

Temporary assistance is for clients who are employable. If they're able to work, they will be expected to work. If they are unable to work because of a short-term medical condition, they will be temporarily excused from seeking employment. If they have a disability with added medical cost, they may still be able to work but will receive additional funds for their added medical cost while they're seeking work.

Continuous assistance is for those who are not expected to achieve financial independence through employment. It is for people with a severe disability who have added medical costs. It is also for people with persistent multiple barriers to employment beyond their control.

I spoke earlier of a new emphasis on employment versus entitlement. We will strengthen the direction by providing people who inquire about welfare with information about the availability of jobs and for a self-directed work search. That can happen today through our offices. As a condition of eligibility, a client will complete an employment plan: an agreement that states what the client is expected to do to achieve employment through training. Ministry programs will support the client in fulfilling the employment plan agreement. The ministry will monitor the client's progress, taking action such as reducing assistance for non-compliance.

We remain committed to supporting people with disabilities to achieve their full potential as well. Many people with a disability want to work and are capable of finding employment. We will work with them through job placement and training programs, and we will redesign the earning exemption levels. We will make it easier for people with disabilities to work and move into part-time employment.

Clearly, the changes I am describing are significant. I believe these changes will have the support of British Columbians, who recognize that it is time for change and that the status quo does not assist people in achieving their highest potential. I believe these changes will have the support of the vast number of people on assistance who genuinely want to work and need the programs to enable them.

We recognize that we are in a period of economic uncertainty, but economic downturns are generally short-term. This is a long-term plan.

Even in a poor economy in British Columbia there are opportunities to work. In the average year 500,000 new hires take place in British Columbia. What I want is the people on welfare to have the right motivation and the right training to be standing first in line to apply for one of these jobs.

[11:15]

Our five-year outcome includes sustained long-term employment for British Columbians, assistance for shelter and support for those most in need, a reduced long-term dependence on income assistance, reduced long-term dependence on income assistance, reduced red tape and regulations, and greater fiscal accountability. I am confident we can achieve these goals. I am confident in the ministry's programs, its staff and the services that we will provide so that British Columbians can do the best they can with their lives.

Thank you.

Hon. G. Campbell: Thanks, Murray.

Questions? Judith, followed by George, followed by Sandy, followed by John.

Hon. J. Reid: Murray, certainly we want to be helping people who have been having difficulty finding employment and finding full-time employment. The group of people that I've found most frustrating, through my office as MLA, are those who have barriers to employment and don't easily fit into the programs that might be in place. I found that those barriers to employment are not usually identified. It's something that people make voluntary disclosures about.

Looking at page 12, the employment plan agreement, is there going to be any part of that where there's an actual assessment of individuals to identify those barriers to employment so that part of that employment plan would be that that person would be connected with the resources in the community for anger management, for example, or to develop social skills or to deal with addiction problems? Will an assessment take place, and will that be part of the employment plan?

Hon. M. Coell: Thanks, Judith. Yes, very much so. Even today, when someone goes into an income assistance office, we have an initial assessment done by financial aid workers. Then there's a screening process done by the employment programs that we're offering. There is an ability, I think, to add a broader range of programs, which would be anything from literacy programs through to alcohol and drug counselling. Those would be very much a part of the new program.

Hon. G. Campbell: George.

Hon. G. Abbott: Thank you, Premier.

I was quite amazed by some of the statistics that were contained in your core review report, Murray. I guess the one that I found particularly surprising was single men constituting 39 percent of the caseloads of your ministry. What proportion of that 39 percent would be readily employable?

Hon. M. Coell: Probably 75 percent. We have a lot of people on income assistance who are employable. The longer people stay on income assistance, I think there's a tendency to give up on yourself. I think what we want to do is show that we're not going to give up on people - that we believe there is an innate ability for people to do the best they possibly can with their lives. That's a target group for British Columbians - to put those people back to work. Many of them are going to need a variety of skills that they don't have - as Judith said, right from anger management to literacy through to job preparation through to writing a résumé and the follow-up and persistence to follow up with employers.

Hon. G. Abbott: I'd like to get your thoughts, if I could, on what appears to be a disconnect between that body of employable single males and what I'm quite frequently told is a current and growing shortage of both skilled and unskilled labour in areas like construction, agriculture and so on. From your perspective, is the disconnect around a failure to offer training opportunities? Is it around the linkage between the job opportunity and placement? Or is it other? What's the main thing holding us back?

Hon. M. Coell: Well, I think you've hit on a number of reasons. I think that in the past - and that's changed in the last year or so - we didn't have the jobs posted. If you go into an income assistance office today, there are actually jobs there. Today in British Columbia there are 3,500 jobs available through our offices.

[11:20]

We're going to do a better job of that. We're going to make sure that people on income assistance know that those jobs are there and know that the programs are out there, and it's going to be mandatory that they participate in those programs. It's not good enough just to know that they're there. Let's look at them closely, and let's see whether they fit. A lot of these aren't just minimum-wage jobs. They range from \$8 to \$14 an hour and are in our offices today.

Hon. G. Abbott: Let me just say that I salute what you're doing here. I think it's a really positive step forward. My experience formerly, as an employer of quite a lot of people in the agricultural area, is that people are always looking for better jobs. Very frequently the key to a better job is a first job. When you have employment, it's often easier to find employment, so I think you're going down exactly the right track here in terms of turning some lives around.

Hon. G. Campbell: Thanks, George.

Sandy.

Hon. S. Santori: Just one question with respect to the category of those that are expected to work. How will the ministry manage with those individuals? I guess the question is: are we going to require that those that are unemployed go to where the jobs are? I think what's happening in a lot of rural B.C. and in the Kootenays where, obviously, a dollar is going to go further up there for those that are on social assistance.... It seems to be an attractant to get them there because their dollar does go further. How are we going to encourage those people that...? Although maybe the jobs in the Kootenays or up north may not be there, there may be jobs in the Okanagan and in the lower mainland. Is the program going to address people getting mobile to go where the jobs are rather than sitting unemployed in a community waiting for the jobs to come there?

Hon. M. Coell: I think that's a very good point. Because the unemployment rates throughout the province differ, we're going to try and design programs that address that. We also have the ability to pay for people's transportation to jobs. We do that now. I think that in many instances, that's a natural occurrence when young people find that there aren't jobs in their communities. They do move. At the same time, there are jobs that we'll identify through the programs we contract with and encourage people to take.

I think, as George said, it's your first job that's important, but it's the ability to get many jobs in your life and not to give up on yourself when times get tough. They do get tough, and that's generally when you have to get motivated. That's what we want to do: have programs in place that are motivating people to continually look for employment and to better their quality of life.

Hon. G. Campbell: Okay, thanks.

We've got John, Dick, Gulzar, Gordon, Christy, Lynn.

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

Just to quickly underscore the same point that Judith made, it's been my observation that a lot of people on income assistance.... I'm not sure they're lacking so much in skills and actual training needs as they are in.... They've got emotional issues; they've got psychological and various types of personal issues. I think the services that are going to be needed also need to include counselling and a broader range of assistance based, I think, as Judith said, on good assessment at the outset of these issues.

Hon. M. Coell: Yeah, you're right, John. The key is identifying people's strengths and building on those strengths and realizing at the same time that there are barriers. There are people with multi-barriers that will probably fit into the continuous assistance program, as well, who aren't going to get off income assistance. I think, a lot of times, you want to have those programs available to them so that if changes in their life occur, they can be employed as well. I just don't think you give up on people. I think that you have to say that people should be able to do the best they can with their lives and will do it.

Hon. G. Campbell: Dick.

Hon. R. Neufeld: Thank you, Murray. The continuous assistance - just explain that for me a little bit. If a child is severely disabled while they're young, can the family claim income assistance? Does it change at some point in time when they become an adult? If so, how does that change take place? Is that some integration between Children and Family Development and your ministry? Maybe you could just explain that a little bit for me.

Hon. M. Coell: Sure. There's a broad range of programs with the Ministry of Health, the Ministry of Children and Family Development and our ministry. Our ministry would probably only be involved when there is an income level low enough that they would need a subsidy for the family. There is a broad range of programs in British Columbia, and I think probably Colin and Sindi and Gordon Hogg could answer that better than me.

Hon. R. Neufeld: Okay, so it's when they become an adult. If they move away from home, what happens then?

[11:25]

Hon. M. Coell: We have approximately 50,000 people on disability 2, and the vast majority of those people would fall into the continuous subsidy portion. What we're trying to do is.... We've been out meeting with people in the disability community, people with disabilities, and they're saying: "Don't leave us out of the training programs. We may not be able to work full-time, we may not even be able to work part-time, but we would like to do what we can." We want to design the program so someone who is disabled has an opportunity to do the best they can, and if the best they can do is continuous assistance, we'll be there for them.

Hon. G. Campbell: Gulzar.

Hon. G. Cheema: Can you tell me how many welfare recipients also have a mental disability? Do you have the numbers?

Hon. M. Coell: I would say that probably upwards of 20,000 British Columbians that are on income assistance have multiple barriers, and mental illness is one of them. They have generally been in and out of disability level 2 and disability level 1 and temporarily excused from time to time as well.

It's a very difficult group, as you know as minister responsible, to get those people involved in work programs. It's going to be a real challenge for us. It's one that you and I are going to have to work together on to make sure those folks don't fall between the cracks in any new program, as I think they have done for many years.

Hon. G. Cheema: One of the concerns from the mental health community has been that the definition of chronic and persistent mental illness must be part of the new process. With a person with depression or schizophrenia who has not been able to work for a number of year, if we push them, they will end up going to the hospital and then costing us more. I hope we can take the definition at this time, when you are reorganizing the whole thing. I think it would be a best start and that it will help them, because some of them may never, ever be able to function independently. I just wanted to make sure that I expressed their concern.

Hon. M. Coell: Yeah. I'll make sure that I work with you on those definitions as we get closer to implementation.

Hon. G. Cheema: The third concern is that when a patient goes to a given hospital, some of them lose their benefits or their payments to their rental place. When they come back, they don't have a place to go back to, so they end up going to the hospital again. It's costing us more, and also it's not solving any of the patients' concerns. I think that also has to be included in some way so that when the person with a chronic mental illness is discharged from a hospital or is in the home and ends up in a crisis and needs to go back to the hospital, then they have a place to come back to. I think that's one of the main concerns and should be addressed.

Hon. M. Coell: That's been a main concern for many years and one that we're going to work on.

Hon. G. Cheema: Thanks.

Hon. G. Campbell: Gord, Christy, Lynn and Linda.

Hon. G. Hogg: Thank you, Premier.

I notice from your slide, Murray, that of the B.C. Benefits caseload, 3 percent represent children in the care of a relative. There's been a great deal of discussion about that program. A number of central agencies have reviewed and looked at that. You and I have had some conversations about that. Could you just highlight the program and the actions which your ministry has taken in terms of the placement of children within that context?

Hon. M. Coell: Well, one of the initial things that came out of the Gove report was that we needed to train our front-line staff on recognizing potentials for abuse. We have an excellent training program, which every one of our front-line workers has gone through, on recognizing potentials for abuse of children. That's continuous. As people come on, they go into the program. I know we work very closely with your ministry. If there's any sign, we inform you immediately by phone as well as in writing, so your workers can investigate.

Hon. G. Campbell: Christy.

Hon. C. Clark: Murray, on page 11 you've got a big chunk moving to the temporary assistance category. I'm wondering what will happen to those people when their temporary assistance period is up.

[11:30]

Hon. M. Coell: The plan is that temporary assistance will have a plan that goes with it. That plan could be a six-month program; it could be a 12-month program; it could be a three-week program. Compliance on that training and job search are what we're after right now. We haven't set any limits at this point. It's something we've discussed. Other provinces have looked at it. I haven't set limits for caseload reduction. I haven't set time limits at this point, but they're in the legislation now. People who don't look for work can be cut off and are cut off. They have been for the last four years as well as today.

Hon. C. Clark: Okay.

My second comment is just about education. As you and I both know, 80 percent of the people in British Columbia who are on income assistance did not graduate from high school. There's a lot that the Ministry of Education can try and do to rectify that. I am wondering, though: at the other side, once someone does get on income assistance, are you taking steps in your ministry to try and help them get their Dogwood certificate or graduate from high school - get them back into that system?

Hon. M. Coell: Yeah. There's a broad range of programs that exist today, and we want to sort of streamline them. There is a broad range of problems. You might have a grade 8 or 7 literacy. We want to make sure there are programs that you go into, but it's part of the plan. It's not just that you do a program and then get a certificate and leave. It's going to be part of the plan that eventually there is a job and independence and financial security - on your own.

I think in the past - and it's not common just to British Columbia; it's common to Canada - there were a whole range of programs out there that you could go and fit into and continue to collect assistance because you were in that program. What we want is to make sure that program is on a continuum and that at the end of the day you've got the skills, the training and the motivation to get out in the workforce not just for the first job but for the second, the third, the fourth job.

Hon. C. Clark: Thanks.

Hon. G. Campbell: Lynn, followed by Linda.

Hon. L. Stephens: Thank you, Premier.

Murray, on page 3 of your presentation, your current B.C. Benefits caseload, you have single-parent families as 25 percent. I know that a significant number in that category is single-parent moms. So I think that when we're looking at what we can do to help individuals get back into the workforce, the key is the proper assessment of what their needs are. With single moms, they have some additional supports that are required, which perhaps others don't. What are some of those supports that the ministry's going to be able to do?

Hon. M. Coell: Well, at present we're able to pay for day care while someone's in a training program. I think we need to look at whether we can expand that when someone finds employment. We also provide dental and medical for children. So there are a number of support programs that you need to build in there for someone to make that initial jump. Talking to many people, it is a jump, because you're taking a whole new bunch of responsibility for yourself and your family than just getting a cheque in the mail every month.

I think that's a group that we're really going to have to work hard with to find the programs that allow them to make a decent wage. Right now, with income assistance and then all of the programs they've got, it almost doesn't pay to work. Now, with raising the minimum wage, that's added more

incentive. I think we have to build into their programs the ability to take that jump into the workforce knowing there's some backup there that government can support.

Hon. L. Stephens: In the rural and remote parts of the province there are even some more challenges for people there. A lot of the employment opportunities are in minimum-wage tourist industries and those kinds of things. Transportation is also an issue for people living in those areas, particularly single moms. I know it's 25 percent single parents. What is the percentage of single moms in that? How are we going to organize, I guess, the ministry's services to make sure that we capture as many of those individuals as possible to address some of these supports that are going to be needed?

[11:35]

Hon. M. Coell: The vast majority of single parents are single women with children. On the ability to have a supportive atmosphere in training, we're going to be building training programs that hopefully will have day care added into them. We'll have the medical-dental carryover, the same as people with disabilities. Those are things we're looking at now. We don't have the nuts and bolts of that tied down.

Hon. L. Stephens: In terms of rural and remote, that's in progress.

Hon. M. Coell: Yes. Basically, a lot of the nuts and bolts of the programs are being developed now. These are the strategic shifts. This is the philosophy and the mission of the new ministry. From my understanding, and being a new minister for five months, like the rest of us, the problems that people face in this ministry are related to yours, to George's, to Gordie's - you know. There's a broad range that we have to take into consideration on how you develop programs and how you help people succeed. It's not in isolation.

Hon. L. Stephens: Thank you.

Hon. G. Campbell: Linda.

Hon. L. Reid: Thank you, Premier.

Murray, this is a very difficult area, and I think it'll take enormous heart to make this effective for the people and families of this province, so I'm delighted you're in the role you're in. In terms of your caseload, roughly two-thirds are single folks, male or female. I share some of the concerns that Christy shares about education levels. I'd be interested to learn how many of those folks are English-as-a-second-language. Certainly the literacy levels of some of those folks.... The graduation piece is a critical piece of information, but the other pieces are equally important.

I say that because of your comment about how you've not set time lines and not set targets. An English-as-a-second-language program is not something you can give someone literacy status in within six months to a year. Some of those programs will require ongoing deliberations around their effectiveness. Give me your sense of how long your ministry might be prepared to leave some of those programs open so that folks actually do make some changes in their lives that will allow for durable change. I agree with you. We can make the change for six months to a year. I want to know that these folks are still employed five years hence.

Hon. M. Coell: Linda, as I said, I view this as a real long-term plan. As I said, downturns in the economy generally last six to 18 months. This is a plan where you have someone who's been on income assistance for ten years. How do you get that person, with the right training and the right motivation and the right job, to be financially independent? This is not a short-term fix; this is a cultural change. I think it's one that we're going to have to be persistent with. I think that there's a broad range of people with a broad range of issues having services provided to them today, and that's where we have to start to design the programs.

I can give you an example. When I was made minister, I approved all of the programs that were presently being funded - that's about \$100 million worth - until March 31 of next year. In January next year the redesigned programs will all go out to tender. The vast majority of them are done in the private sector today and will continue to be. We have to make sure that we're addressing those problems and the different people's problems from different parts of the province as well.

It's been exciting. We've been out and met with people from the downtown east side, we've met with our caseworkers in the front offices, and we've met with people with disabilities and with the varying advocate groups throughout the province, trying to get a sense as to how we design the programs

with the limited amount of money that we're all going to have. How do you design those programs that best suit the most people?

I'm excited. I think the challenges ahead of us are great, but the people of British Columbia and people on income assistance deserve the right to do the best they possibly can with their lives, and we as a government should be making the programs available to do that.

Hon. L. Reid: Thank you.

Hon. G. Campbell: Thanks, Murray. Murray has outlined a number of strategic shifts here. The ministry mandate and the vision and mission of the B.C. employment and assistance strategy that he's underlining are, I think, certainly a dramatic shift. Murray, it's focused on the right thing, which is giving people the opportunity to build their own lives. If there's no disagreement, we'll move forward and approve those and wish you luck.

Hon. M. Coell: Thank you.

Hon. G. Campbell: The next item on the agenda is the Minister of Children and Family Development. Gordie?

Ministry of Children and Family Development Strategic Shifts

[11:40]

Hon. G. Hogg: Thank you, Premier.

The birth of this ministry was in September of 1996, when over 100 programs were brought together from the Ministry of Attorney General, Ministry of Education, Women's Equality, Health and Social Services. Those programs were brought together with the expressed goal of having coordinated service delivery models so that all of the children's issues could be developed and presented in one ministry. There wouldn't be overlap. There would be more focus on the services to and needs of children. It has been a tumultuous growth since that birth, going through five ministers - perhaps that's five parents - and four reorganizations. We are working at trying to move in that integrated fashion and make those original goals of having that coordinated service a reality.

The budget is \$1.55 billion. There are 5,100 staff members and about 250 offices across the province. About 75 percent of our budget goes to contracted service deliveries within the communities. Broadly, those services fall into about five categories. Firstly is that of community living services. Those are the developmentally disabled - a number of the adults who were formerly in institutions such as Glendale and Woodlands. There are about 24,000 special needs children who are dealt with - everything from the very medically fragile, where we have at-home programs to support them living in their homes, through to autism services and child care workers to assist with a very wide range of services. There are school-based programs. There are early childhood development programs that exist within that framework.

The second big ace is that of child protection. We have about 10,700 children in the care of the state. That number has grown fairly dramatically over a number of years, and the majority of those are in foster care.

The third big segment is that of youth justice. We have seven youth institutions, a number of youths on probation and a number of community-based preventative programs. We get a lot of support and coordination from the federal government in those programs.

The fourth area is child and youth mental health. We have been working with Gulzar to look at ways of addressing some of the issues in mental health. We have just appointed an advisory committee to help us look at and focus on those issues. There have been three primary concerns that we've seen in the presentation of mental health services to children and adolescents. Those are.... When they reach the age of majority, there is a transition from this ministry into the Ministry of Health or other ministries, and we don't have as good a connection as we should have there. The second thing is the transition from hospitals, from acute care into the community. We need to work better at linking those. The third is that we don't have a child and youth mental health plan. We have this big mental health plan for the province but not one focused on child and youth services. So with Gulzar and with this advisory committee, we're working on those three specific issues to try and find some specific strategies by which we can provide better mental health services to adolescents.

The fifth area is that of aboriginal services and how we look at the delegation, the movement of services for children and families, to the aboriginal communities.

I think that in the past, the ministry has kind of been the rescuer, the fixer that has rushed in there when individuals or communities or families have broken down, somehow thinking that we can do something different or wonderful - that we as a state can step in and make things better. We're starting to look at that and refocus some of the things we're doing around that.

With that brief background, today I want to present you with the vision, the mission and three of the strategic shifts which I'm recommending and hopefully getting your agreement upon.

Moving to the vision first, the vision is of healthy children and responsible families living in safe, caring and inclusive communities. Now, this reflects the overall priority that we focus on, which is health and safety, and an emphasis on responsibility within that - the responsibility and the accountability that come with that. This vision also reflects the interdependence of a complex society. It talks about "it takes a village to raise a child." It talks about the interconnectedness of our ministries, of our community resources and how we relate to and provide for that caring, inclusive type of community that we're talking about. That goes across a lot of the ministries in terms of their vision and their ability to relate to and support this direction.

[11:45]

I'll move you from that to the mission. The mission is to promote and develop the capacity of families and communities to care for and protect vulnerable children and youth and to support adults with developmental disabilities. This mission focuses on the two primary client groups of the ministry. Those two primary client groups are the vulnerable children and youth and the developmentally disabled. This reflects a belief, a confidence, that most families and communities are in the best position to provide for the initial care of their vulnerable members and that government has a role to help them to do that, to support them in building that capacity to carry out those primary responsibilities.

It's clear that a one-size model doesn't fit all and that we have to look at providing choices to families, parents and communities in the ways that we respond to the needs of these most vulnerable members that exist within their confines.

Out of that we have developed three principles. Firstly, families have the primary responsibility to protect and support children. Secondly, government must work with communities to support children and families. Thirdly, safety for children has to occur with minimal intervention. There have been a number of recommendations made over the years that have looked at this. Certainly, my thinking, and to some degree the thinking of the ministry, has been influenced by good, sound scientific research. Dare I mention Robert Putnam or John McKnight?

Hon. G. Campbell: No.

Hon. G. Hogg: Certainly their research and their writing are very influential in terms of the role that communities and the state should play in terms of providing care, providing service. We have reviewed the ministry, asking questions about who we are, what we do, how we do it, whether we should do it. We've referenced them throughout with these three principles, asked those questions and tested them against these principles. As we've done that, we've developed six strategic shifts.

I'd like to move on to those strategic shifts. The first one is a shift from a closed, reactive, defensive culture to an open, accountable, transparent one with transparent relationships. To some degree, I think there's been a veil of secrecy that the ministry has hidden under or been a part of. I know that in order to gain confidence, to get the support of our staff and our communities, we have to open up what we do. We have to talk about what we do and explain it.

I know when I first got into the ministry, I received something like 32 PTNs. I was afraid to ask what a PTN was. I thought I was supposed to know. It was a "point to note." They've now become CIs, which are communication information or communication notes. That's really important, because every one of them had the same response: "You can't say anything about it. It's really sad what's happened, and we're doing an investigation." I think that was sort of the response of the ministry: "That's how we'll deal with these issues. That's how we'll handle it." I said: "You know, we've got to make a move from that."

There's a whole bunch more we can say in terms of the context of protection within which our staff work. We ask these staff to do perhaps the most difficult task that the state can ask an employee to

do: go into homes and make decisions about the apprehension of children. We need to be able to support them, so they can make good judgments when they do, not just go in and apprehend for the sake of apprehension, saying: "That's the simplest way, because that's the way the courts are going to review it." We have to look at that.

I've moved and said that when those things come along, we've got to say to the world that in this province we receive a hundred reports a day of abuse or neglect - 100 a day, 365 days a year. Seventy of those go to the point of involving an investigation. They result in 11 apprehensions a day of children across this province. We need to talk about that. We need to say what the context of things are, because when we have these one or two go wrong, they seem to become the focus. They need to know that we are working with a broad framework, and we've had to shift to open that up, to be more available and talk more about that.

I think we have to move to be more proactive as well. We have a lot of this information on our website, and when we started talking about core review, we had 35,000 hits on our website in the month of October. People were looking at what's going on and providing comment. We've had comments coming in to our website. We've had submissions. I think there are over 200 submissions that we've received now.

[11:50]

We are working with the public affairs bureau to develop a media site where we think we can start sharing more information; start talking about records, reports, audits and those things; get more of a dialogue and more openness in terms of the process; make sure that when people have an interest, when the media has a focus, there's a place where they can go. I think that's part of moving into the information age in terms of getting that information there and available and taking away the veil of secrecy. We've recognized that we have some statutory requirements in terms of protection of privacy, but within that framework we can certainly talk a lot more about who we are and about what we do. That's the first shift.

The second one is from centralized decisions to community-developed and -delivered services and from a fragmented service delivery system to coherent, community-based systems. Now, this talks about redefining the role of the ministry. It's now to a large degree characterized by centralized regulation driven by centralized decision-making and fragmented service delivery to some degree. In some communities we could have four, five or six different agencies all providing overlapping services that are not being coordinated. We need to rationalize those services, because if we're able to rationalize them and get rid of that overlap and duplication, we're going to have more money to provide services to children and families. That's what we're about. That's what we need to do. With this shift, we think we can move towards that, and we can make more of the money that's available go where it should go - to service delivery.

The third shift is from funding endless services to evidence-based funding and building capacity and resiliency. I know each time I say resiliency, somebody asks me what that's about or if there's a different meaning. Resiliency is really the ability to effectively deal with different circumstances as they come along, to have the ability to be resilient when things move and change. We need to help build that. This strategic shift recognizes the need for a focus on early childhood development - some of the work that Linda's doing - and getting into those preventative things, making sure that our funding is strategic in terms of being able to deal with preventative issues, so we can move on and sort of short-circuit or prevent some of those issues that become concerns for some later on in life.

It means being proactive and positive. It means looking at accreditation models. There are international agencies that do accreditation of service-delivery models, which can come in and say: "We approve." They can look at an agency and give that accreditation, so we have some confidence, when we contract with them, that the service being provided meets international standards, evidence-based thinking - that it is responsible and looks at that. We want to move to best practices. I think this speaks of the need to do that and a way that we can start focusing on that.

The fourth shift. I think it's really important to just take a minute, focus on that graph and look at what it says. Today we have 10,700 children in care. That's a 66 percent increase since 1993. That's above the national average, if we look at the number of children we have in care. Compared to national averages, we are above the national average. For some provinces we're twice the number that they have in care. New Zealand looked at ways they might be able to reduce the number in care, and they were able to reduce it by two-thirds.

The focus still has to be on the safe care of our children. If you look at a risk-aversion environment, in child protection removal rather than trying to work with it, you have a whole different concept, a

whole different way of looking at and addressing the needs of children. We don't think it should be risk aversion. We know that we should be reducing the amount of risk, but we're not going to be able to eliminate risk, whether it be backyard swimming pools or pit bulls or all of those things. The state doesn't have a role in all that. But we have to take every reasonable action to look and reduce. In fact, by talking about these issues, by trying to change the approach that we take to these, we've actually seen a reduction.

Since about 1995, October has always been the biggest month of increase in the number of children in care. A year ago in October there was an increase of 50 children in care. This past October - I don't remember how many days ago that was - we have seen the first reduction in the number of children in care for October since 1995. That is 189 fewer children coming into care. I think that's a reflection of our staff actually going out there and doing the work they're trained to do: to make decisions within families, to help bring families together, to help support them and at the same time do that within the context of a safe care plan.

[11:55]

The strategic shift that this reflects is from protecting children by just removing them from the families to protecting them by promoting family and community capacity. This is really the heart of the child protection system. These are the children who are placed in foster care, who become the backbone of that service we provide. Sixty-five percent of the apprehensions that we make are from single parents. About 33 percent of them are a result of neglect. We have to look at the ways we move into that. We have to ensure that the choices we provide our child protection workers are broader, that children, families and parents have more choices, and to start looking at them. Some of them have no sense of what's gone wrong. Many of the children we have in care, if you keep them in care, often end up on income assistance. We're trying to look at some of those percentages, but it's a high percentage who move on to income assistance.

To a large degree, we're not responding terribly well when the state is a parent. That's not just for British Columbia; that's anywhere you want to look in terms of that type of role. We need to look at ways that we can be more positive. I think if we can keep families together, that's a good way to do it. I think the much-talked-about python is a very good and very public learning example of what we're trying to do. Six months ago there would have been six to nine children apprehended immediately, and then we'd try to settle it. Our staff worked really hard to look at it, to work with the family to make them aware - ensuring through the course of that time that the children were safe - and to bring up the awareness and consciousness of the family as to what the risks were and then developing a safe care plan for them, which I think was far less traumatic than having removed the children and done something else with them. Ultimately, it's a far better resolution for that. I give full credit to our staff for the work they did through that.

I think, however, all of this talks about what the role is of the state in terms of parenting. Fifty years ago parents seemed to have this unfettered right to do what they wanted with their children. That right has clearly evolved into responsibilities. Now we have many more responsibilities. A big decision around that was the Supreme Court of Canada decision out of Ontario in 1995, I think it was. The parents were Jehovah's Witness. Their daughter required a blood transfusion which they denied to her. The state intervened, apprehended the child, provided the blood transfusion and returned the child. That's starting to evolve the roles of the state.

I think we have to look very closely at what those responsibilities are. It's pretty clear that the courts are telling us that parents have the right to have their beliefs, but if their beliefs result in some type of harm to the children, then that can't be exercised. The state has a responsibility to step in and do that. We've seen a dramatic shift in terms of the intervention of the state into parenting. I'm concerned of where the edges are. We're certainly looking at that and trying to make sure we don't push those parameters any further.

There is a current decision, I think in the Supreme Court of Ontario, that's dealing with corporal punishment with the Church of God, and there are some issues around the parenting there. It's a very delicate and important issue, particularly when you look at it in a historical context in terms of what's happened from parenting rights to parenting responsibilities and how far those go. That's a really important decision. We'll look to the courts, and we'll look to our good judgment to do that. To some degree, it's public agencies that are helping to define those responsibilities. That's a really important issue for all of us to be aware of.

Moving on. Strategic shift 5. Now, this speaks to the number of community-living clients. They have increased by 32.8 percent since 1995. This represents those individuals who are in institutions like Woodlands and Glendale. The international definition for the developmentally disabled is an IQ

under 70. We have in the care of the state, through both residential and programs, about 5,700 of these individuals. That represents about 30 percent of the overall population that exists within the province.

Seventy percent of these individuals are being cared for by extended family, by friends and by services within their communities that are not funded or supported by the ministry. We have to give credit for that and recognize that a lot of those parents want to be able to keep their families together, want to be able to support them. Perhaps there's a Down syndrome child who is now getting older, and the parents are getting older. In many cases, they want to keep them there. In some cases it's a financial issue that doesn't allow them. In some cases it may mean making some changes to the house to make it wheelchair accessible - those types of things. A lot of our current strategies and policies mitigate against those parents being able to keep their children within their families. We have to look at ways to do that.

In 1988 the government of the day started the move towards deinstitutionalization, to closing down the institutions, to moving these people out of the institutions. Going through that process completed in about 1996. The process started with this whole, "We've got to deinstitutionalize; we've got to move," because some of these institutions were not good places. We found that a lot of these individuals coming into the communities are now working in the communities, getting jobs, and have become quite comfortable. They've increased their quality of life enormously.

[12:00]

I think somewhere along the way, perhaps in 1998, the goal shifted from that of increasing the quality of life to the goal of deinstitutionalization. That was carried to an extreme. The most extreme example I've heard to date is an individual living outside of Victoria who's living in a trailer, who has two staff on him 24 hours a day, and it's costing \$430,000 a year for one person. I don't think that's an increase in the quality of life. I think that was pushing the principle of deinstitutionalization without looking at what the quality of life is for this individual. I think it's time that we started focusing and looking back at what the quality of life is.

As we turn the page to the strategic shift that's reflected in this, that's the intent: to look at the quality of life. Let's make that the primary goal again. Let's make more choices, alternatives and options available for these people. So if we move from direct care and support for adults with developmental disabilities to community-based programs which promote choice, innovation and shared responsibility so families can be involved and part of the decisions that are made for these people, so that they can make some decisions about themselves instead of sort of limiting them in the ways that we have.... I think that's the next step in terms of the evolution of good care for the developmentally disabled: looking at more community-based options, giving them some choice and allowing families in many cases to stay together when they want to stay together. We have put barriers in their way, and I think this will help provide that type of service in a sensitive and caring way.

The sixth shift is moving child protection authority to aboriginal entities. That's building service capacity - building the ability - in aboriginal communities for early childhood and family development. We have in this process about 19 delegated aboriginal agencies today who deal with the child and family services that exist in their aboriginal communities. If we look at the full caseload we talked about - the caseload of 10,7000 children in care - 40 percent of that caseload is aboriginal children. In the north I think it's almost 60 percent. Yet aboriginal children represent 8 percent of the youth population of this province - dramatically overrepresented. We have to look at ways to deal with this and help to manage it. Many of the aboriginal communities want to do that, and they have some wonderful programs. There are some examples out of Manitoba. The Awasis program was wonderful in terms of doing that.

We're looking at some of those models that allow us to look at extended families and placement in that. Some of our legislation today mitigates against that. Judges don't have choices. After the apprehension of a child, you must appear before the court within seven days to talk about the reason for the apprehension. The courts then will approve or not approve. Our staff has over 99 percent approval ratings from the judges in terms of those decisions. But we need to give more options to the judges. Right now they can only return the child or apprehend them. We need to give room for them to place them in extended families. That particularly applies to aboriginal communities, where they have so many extended family members around who are often willing and able to support. But we don't allow that to happen now.

We need to not just delegate, as has been done in the past, those issues that are relevant to child protection, those problems when they evidence themselves. We need to make sure that they're also

involved in the early childhood development side of that, in the preventative issue, so they can look more holistically at the issues. We're not just delegating the issues when they become problematic, but we're delegating a system that allows them to work more holistically and ensure that the health of their communities is being addressed. I'm sure that we can do much better in this area, and I think that by having that holistic approach we will do that.

That is the sixth and final strategic shift. What I'm asking for is your approval to look at these principles, these values, the mission, the vision, the strategic shifts, and allow us to start developing some implementations around those if you approve of them. I firmly believe that these shifts are going to improve the quality of life for children and for families. We're not going to take so many away if we make these shifts. We're going to support families. We recognize that some of those resources have to be shifted to allow that, to do it and to grow. This comes from a belief in families, a belief in communities and their ability to respond to that, and it comes from a belief that with the developmentally disabled, we can actually do much better than the deinstitutionalization and move towards that model. We can actually come back to quality of life, which permeates all of the things that we're trying to focus on in these two major groups.

Hon. G. Campbell: Thank you. Rick.

Hon. R. Thorpe: Thank you, Premier.

[12:05]

Gordie, I don't have a question. I just want to actually thank you very, very much for your thorough presentation, for your passion and for your commitment to helping the children of British Columbia. Good luck.

Hon. G. Campbell: Greg, followed by Katherine, Gulzar, Lynn, George and Dick.

Hon. G. Halsey-Brandt: Gord, in several of your shifts you talk about moving from centralized decisions to the communities to developing community-based systems, community capacity. In terms of your staff and in terms of implementation, have you sort of worked that through yet - just kind of what you mean by that? When we went through that deinstitutionalization program in the late eighties and early nineties, that was the idea. But it didn't work out as well as I think a lot of people had hoped.

You've got it several times in these shifts here. Have you given some thought, then, to how you're actually going to implement that within the communities? I realize the word "community" can have a whole different meaning to different groups of people, but how are you actually going to get that out of Victoria and out into the community? Are you going to have support groups or committees or task forces or something in regional districts or municipalities or within ethnic groups? How are you going to deliver that service and tailor it?

Hon. G. Hogg: Well, I think perhaps through all of those. I don't think there's one model that will fit every community in the province. We need to be able to respond to the nuances and needs of each of those communities through different types of models which will address that. One model might be the model of a Children's Aid Society, where we the government allocate the responsibility in Trail to an agency that will provide those services and ensure that there's no duplication and start working through that type of model. Another model in another area might look at trying to coordinate with regional health boards in terms of those types of services.

There are a lot of different models that can do it. It looks at trying to empower communities to respond to their needs and to respond differently to the issues and the concerns that exist within their communities. Our responsibility, the responsibility of the state, is to ensure that those services are being provided in a quality way and that they're responding to the needs in those local areas.

Hon. G. Halsey-Brandt: The only thing I would ask is that when you say "empower communities," perhaps your staff have a broader look at what you mean by communities. I know you use a lot of private sector services to deliver your services.

Hon. G. Hogg: It's 75 percent.

Hon. G. Halsey-Brandt: Yeah. It's a business - right? So in some instances, they are disconnected from the community. I think that perhaps when you make these shifts, there should be a little more thinking around what that matrix is going to be - who's going to make up the community, who will get involved in the decision-making in terms of the delivery of the service and how many groups will you

pull in to have those discussions. Then, I think, you get community support. Otherwise, if Victoria says, "We're going to hire firm X, and they're going to deliver the service, and we're out of here," the actual community is disconnected.

Hon. G. Hogg: In fact, I think we're just ideally positioned to move into that, because 75 percent of our dollars currently are provided to service providers throughout the communities - the non-profit and for-profit societies and agencies that are out there. They're amongst the 200 people who have made their submissions to our website, who've talked about the ways of doing that. In the 11 regions that we provide services to around the province, we're out there talking with them every day about how those services can be better delivered, how we can ensure that we reduce the duplication, how we can focus on quality of service and how we can ensure that the majority of our resources are focused on children and families.

I think we're in a good position to do that. I hear your caution, your concern, about that. I think we have a lot of good contacts in the community. We've had a lot of wonderful submissions from people looking at ideas that might be able to help us move in that direction. Certainly, if we get this approval, we'll want to go back and start doing the things you're talking about.

Hon. G. Halsey-Brandt: Thank you.

Hon. G. Campbell: Katherine, Gulzar, Lynn.

Hon. K. Whittred: Thank you, Gordie. I have two questions. I'll ask the first one first, and you can answer first.

Hon. G. Hogg: I want the second one first. Give me the second one first, please.

Hon. G. Campbell: At any rate, give it to us before 1 o'clock, because that's when the television runs out.

Hon. K. Whittred: Thank you.

I was interested in your comments around improving quality of life for those who suffer from developmental delays. I am reminded by a group of parents in my own community who speak to me frequently that their children are the first generation of children who have gone entirely through the school system and now have expectations, much as other young adults have. I'm wondering, along this vein, if you have had any conversations with the Minister of Labour around the regulations that restrict and prohibit protected work environments that would be advantageous to this group of people.

[12:10]

Hon. G. Hogg: I know our staffs have talked about that. I haven't specifically spoken to Graham, but I know our staff has. I just saw some recent research which reinforces what you're saying in terms of this group of people with developmental delays going through the school system. Compared to a previous cohort, there's a higher percentage of mental health, and there's a higher percentage of participation in the job market. It has been a success in terms of that integration model. The research is really reinforcing that, and we have to continue to reinforce that too.

Hon. K. Whittred: All right. Thank you.

My second question has to do with a problem that I have discovered and that is quite new in my area. It is the aging of the mentally disadvantaged, the developmentally delayed. I am now finding that there are numbers of people coming into care residences who fall into that category. I'm just wondering about the approach of your ministry in that particular area.

Hon. G. Hogg: We believe in aging. [Laughter.]

In terms of being able to respond to that, we certainly.... Those people who meet the criteria and who come into service are provided with that service. It's not limited by age. We certainly look at.... There are some unique issues because of the changing makeup of those people. Many years ago, without the medical support we have today, many of them were not living as long as they are today. So we have to look at new models. You and I have started to talk about some ways that we might coordinate those types of services, recognizing that a number of them fall into some of the responsibilities within the Health ministry. As long as we keep focusing on that issue of the quality of life for our clients and as long as we use that as our reference point, then I think we're going to make good decisions.

Again, responding to Greg's question, the closer those decisions are made to the clients, the better the decisions are going to be. The more they're going to be able to take into consideration the issues of family, of support and of community and the extended family. We have to continue to move those decisions closer to the clients, and we'll have better decisions for the reference on quality of life. You and I need to talk more about that transition, as well, and some of the overlaps that we have within that context.

Hon. G. Campbell: Thanks, Katherine.

Gulzar, followed by Lynn.

Hon. G. Cheema: Gordon, I just wanted to express not another concern but a problem when you are making all those changes. The previous administration had the department of multiculturalism. That was just basically a ministry with a flower and a desk. Since we have come on board, we've been working with all the cultural communities. They are very sensitive to the changes we are making.

This is something that can be done at the initial stage. Cross-cultural training for some of the social workers, which has been missing in the past, can be done at this stage. It doesn't matter which community they belong to. They all want to make sure that the government doesn't have too much power to harass them and give them more pain than they deserve. It's about time that we should be doing this, as we are doing, in all our sections. The multicultural communities are feeling much more comfortable that we are moving towards more integration. It would be helpful if you could ask your staff to be more culturally sensitive and have some cross-cultural training.

Hon. G. Hogg: Our movement to try to make sure that it isn't off in some corner on a desk with a flower but that it is held within the context of the ministry and the service delivery makes it that much more effective in terms of service delivery. Within our ministry today we have a number of training programs that are culturally sensitive and that allow our staff to be aware of cultural needs. Certainly, as you go into homes from different cultures, there are different expectations, different responses that they have. It's important that our staff understand those, and I think they do. We've done a pretty good job of training them around those sensitivities so they can respond around the ultimate goal, and that's the protection of the children in those issues. There are mitigating circumstances that may allow for safe care plans in different ways because of those cultural expectations.

Hon. G. Cheema: Thank you.

Hon. G. Campbell: Lynn, George, Dick, Christy.

[12:15]

Hon. L. Stephens: Thank you.

Gord, one of the groups that you didn't talk about was the youth at risk. Many times and in many places youth seem to fall through the cracks. They don't seem to get the same kind of attention as young children do or, certainly, the disabled. I know that the street youth, the sexually exploited youth and those with drug and alcohol dependencies fall under your bailiwick. There's a discussion about the kinds of care they should receive or the kinds of government services they should receive, particularly around treatment - residential treatment or some other kind of treatment program.

The previous administration brought in the Secure Care Act, which I know you're looking at. I would like you to sort of briefly tell us what your intention is with that particular piece of legislation, whether you intend to change it, and if you have a strategic plan or a strategic shift for youth at risk in the province.

Hon. G. Hogg: Firstly, with those that don't get to the point of requiring legislation, we certainly have a number of services that go to helping reconnect. There's one program called Reconnect that helps street children and helps people in the community connect with families, connect with proactive, positive types of activities and programs.

When you move on to the other part of it, certainly part of our new-era commitment was around the issue of sexually exploited youth. One of the responses the last government had to that was the Secure Care Act, which was passed but never proclaimed. I believe that there are some inherent problems with respect to that act. You can keep a child in custody for up to 90 days. I think we need to shorten that. We are looking at the whole issue of secure or safe care as a response.

For those who don't know this, these were, in many cases, young girls who went to the streets and got into child and youth prostitution, sexual exploitation on the streets. They became addicted, and they had pimps. It was a terrible situation with no way for the state to get in and rescue those people, clean them up and move them back into their families.

We need to look at that. That's a commitment that we've made as part of our New Era document - to look at that. We are looking at that. We've talked to a number of groups and a number of other provinces, and we're looking at ways to implement that. That will be part of our strategy, part of our long-term plan: to develop a way to come back with some recommendations around some legislation that will assist in that case.

Hon. L. Stephens: Thanks.

Hon. G. Campbell: George, Dick and Christy.

Hon. G. Abbott: Thank you, Gord. An excellent presentation on this.

I want to refer to strategic shift No. 5 and the discussion of the institutionalization that you offer there, which I agree with. I was quite amazed by the one point you made about the one client who, as I recall, was costing your ministry in excess of \$400,000 a year for care. I want to roll this all into one.

Do you have any idea how many clients there are in similar circumstances and at what cumulative cost? How many of those clients could move to a group or a congregate setting and perhaps actually enjoy a better level of care there? Finally, is this an area - I'm talking here of moving from an individual to a group setting - where the benefits to the client and the cost to the ministry would both be on the positive side of the ledger?

Hon. G. Hogg: Well, firstly, it's really difficult to get those numbers - because they're contained within service provisions within contracts and the schedules of those contracts - and to roll all those together. There are between 15,000 and 17,000 contracts in the ministry in terms of that service delivery. We're trying to rationalize and get a handle on all of those, but it's somewhere around 200 people that we pay over \$200,000 each for within that context. For many of them, as I said earlier, I think we've reinstitutionalized them. We haven't referenced the quality of life for those people, and we need to do that.

In terms of the issues of congregate care or other ways of providing for them, a lot of them are provided for in four-bed facilities around the province. There are some limitations in terms of the community licensing act and ways and terms that limit that. Some of them want to have more people in terms of both stimulation and being able to be removed from the stimulation. Some of them would like to have more movement in terms of that. So I think that's certainly something we have to look at: other ways of providing those services.

Does that mean that it's a win-win? Does that mean that if you move towards those types of care, clients feel better? Do they have a better quality of life? Does congregate care somehow provide a service for that? I think it does. I think that we can look at ways. Certainly, for the individual with \$430,000 a year, I think we could probably be providing a pretty good, if not better, service for that individual and maybe a lot of other people at the same time.

[12:20]

We also have to recognize that some of these people are pretty high risk. Some of these people are perhaps out of the forensic psychiatric institute and have been involved in pretty horrendous offences at one time. Some of them constitute risks. The quality of life has to be balanced with protection of society in terms of those matters as well. I think there are ways that that can be done. We don't always have to protect society by having somebody looking over the individual's shoulder at all times. We can have congregate care and have different ways of ensuring that those people have a quality of life in a different setting.

Hon. G. Campbell: Dick, and then we'll close with Christy.

Hon. R. Neufeld: Thanks, Gordie, for a very good presentation. I want to ask a little bit about where we are with providing care for adults with disabilities. There are families that want to keep them at home but need some respite and a little bit of help. The process now is that you turn the child over to the state, and the state will look after the child totally in whatever kind of facility. There's a move on your part, I think, in your ministry to change that process so that we can actually accommodate better care for those people.

Hon. G. Hogg: That's exactly the focus we're talking about in terms of wanting to reinforce the integrity and value of the family in terms of providing the services. There are so many families who want to be able to keep their adult developmentally disabled child in the home, and in many cases they can't afford to. As they go on to a pension and get older, they don't have a way of doing that. Yet they'd love to be able to do that. Instead, they get nothing, or the child is turned over to the state, and it costs us \$60,000 a year to support that child. We're not providing better care for them; we're taking them away from their families.

Yes, we need to find ways to transition that. We need to find ways to support some of those families who want to keep their children within their family. The other side of that whole issue, of course, is that 70 percent of those individuals with developmental delays are looked after and handled by their families today. We've got to look at the balance and the way we structure that, the way we move into that field. It's clear that if we believe in this shift, if we support this shift and say that families are where these people should be, we should be supporting the ability and building the capacity of those families to be able to respond to, support and take care of their children. We don't do that today. We set up these arbitrary barriers and remove them. In some cases what happens in those instances is really a human tragedy.

Hon. G. Campbell: Christy, you have a question?

Hon. C. Clark: Yes. Gordie, I couldn't agree with you more that we need to keep children in families where we can. I think, though, that often the reason parents don't do a good job is that they don't know how. They may have grown up in a home where they've been neglected and they didn't have any role models to learn from, so they basically don't know how to do parenting. It seems to me that we as a state need to provide support to help parents learn those skills if they don't have them. Given that most children enter the world in a hospital setting, shouldn't we be improving linkages between the health care system and the Ministry of Children and Family Development so that we can send that support in for parents early so they can start learning how to be good parents and care for their children in a responsible way right from the very start?

Hon. G. Hogg: Yes, we should, and we do have some programs that do that now. We have the Building Blocks program and some of the early childhood development programs that start to do that. In fact, we'll be hearing more about some of those programs in the future. Yes, we need to make those linkages. For most of us, our sole experience with parenting has been our parents. We see cycles in terms of the number of kids that come into care and the risks associated with that.

I remember participating in a parenting program which we had set up to deal with a number of at-risk children. It was so graphic for me. There was a boy who had been involved in a horrendous offence. His girlfriend was pregnant. She was going to have a child within three months. He was sitting there in the middle of the group, and he said: "Wait a minute. You mean if my father doesn't like what I'm doing, he can ask me to stop? He doesn't have to hit me?" That was his experience with his upbringing. Here's a guy who was going to be a parent. We were certainly going to get into that cycle again.

I'd also like to see us look at some of the programs in our high schools. We can look at some of the parenting models that may help move and transition that. Not only do I think we have to start early childhood intervention with the birth and with the hospitals and working with that, I think we could look at some things that may integrate.... I know we get overwhelmed with people saying, "Bring this into the school system, and the school system will be the panacea for everything," but there may be some optional programming that we could look at in terms of parenting models, particularly with some of those high-risk people. We're pretty good societally. There have been enough meta-analyses done to tell us about some of those people and what the indices are around high risk that we could start responding with some proactive and positive programs for them.

Hon. C. Clark: That's great.

[12:25]

Hon. G. Campbell: We have a recommendation for the six strategic shifts? Those six strategic shifts are approved.

We have a time constraint today. This is an open cabinet meeting and open cabinet agenda. There are two remaining ministries. I'm going to ask the Minister of Advanced Education to take us through the Ministry of Advanced Education today. We will deal with Education at the next open cabinet meeting.

Shirley.

Implementation of Ministry of Advanced Education Strategic Plan

Hon. S. Bond: Thank you, Premier.

I'm really excited today, as well, to be able to bring to cabinet and to the public my vision of the Ministry of Advanced Education and what we intend to do in the short term and over the long term. Certainly in the very early days of working in my ministry, it has become increasingly clear that education and training are absolutely critical, and they become even more critical as we move into the knowledge-based economy. Skilled and flexible workers and looking at a labour force that can adjust and adapt to a new working environment are absolutely critical to us, particularly as we move into the very, very competitive global marketplace.

Today I want to do three things. First of all, I'll give you a very quick sense of what my ministry does and what the post-secondary system in British Columbia actually looks like. I want to sketch out a few of the key features of the environment that are actually shaping the direction that we need to be taking in advanced education. Finally, I want to ask approval from cabinet for three specific things. We want to present to you our proposed mandate statement. We also want to look at the strategic shifts and ask for your approval. Finally, we will be bringing a nine-point plan which will, in essence, bring effect to the strategic shifts that we're suggesting.

Just some facts about the ministry. Our ministry has a budget of almost \$1.9 billion. A significant part of that is student financial assistance - about \$154 million. In the province we have approximately 210,000 students who take some form of post-secondary education. That's either full-time or part-time. The students that receive financial assistance in the province number almost 70,000. We have it as 69,000, but close to 70,000 students receive some form of assistance from the province. A really exciting thing to think about is the fact that post-secondary education and institutions have a presence in over 108 communities in our province. That's pretty remarkable.

A little bit about what we look like and the institutions. I know that all of you are familiar with the ones in your particular communities, but we have six universities. We have 22 colleges, which are composed of university colleges and also institutes. In addition to that, something you may not be as aware of is that through the ministry we also have registered, private post-secondary trainers and institutions in this province that number in excess of 1,000 - almost 1,100 of them. That's an interesting group of providers, because some of them provide credentials, some of them look at issues around qualifications, and some of them simply provide opportunities for people to take courses for their own personal interest.

Core services we provide as a ministry. You'll see that we've broken down our budget of \$1.9 billion into percentages. In essence, over three-quarters of the budget that we have goes directly into grants to the 28 public post-secondary institutions. Half of that goes to universities. Almost a quarter of a billion dollars goes to debt servicing, to look at how we build facilities and laboratories and all of the things that are necessary in institutions. The rest in fact goes to assistance for students for the most part, in a variety of forms, with 1 percent of our budget being spent on the operation of my ministry.

I want to give you a bit of a sense of the strategic context and the things that we looked at and considered as we decided where we wanted to move the ministry in the future. You'll see on the graphic we've provided for you that one of the challenges British Columbia is facing currently is that we've traditionally lagged behind the rest of the country in terms of our participation in post-secondary education. You'll note the degrees and diplomas. For the provinces we're compared to there, it's done by diplomas and degrees per thousand, so it is an accurate and relevant comparison. You'll see that British Columbia lags behind. Frankly, we need to do something about that. We're going to do some really exciting things as we consider how we're going to address the problem that we look at there.

[12:30]

Just a little bit more about the context for the decisions we've made. First of all, you need to know that the prime post-secondary age group, which is considered 18-to-24-year-olds, will increase by approximately 8 percent by the year 2005. I should say, though, that in the group of people that are looking for post-secondary education, the age group is shifting and changing, as we find that older people are considering coming back for a variety of reasons, some of which are adjustments to the workforce, moving into the knowledge-based economy, etc.

We will face another challenge. We're certainly seeing this in the health care situation now, and we've worked very hard already to begin to look at the shortages of workers we have there. The baby-boom generation is soon going to be moving into retirement age, and we're going to face a significant shortage of skilled workers in this province. An important balance that we're going to look at in this ministry is the provision of opportunities not just for students who are going to go on to university or university college but also for skilled trades training in the province.

The other thing that's making a huge impact in education today, obviously, is the role of technology and the fact that much change is driven by the increasing use of technology. We need to recognize that and look at issues around flexibility and choice.

We also expect to see a significant growth in the service and high-tech sectors. Once again, we need to look specifically at how we're going to move our system ahead to address those needs. A pretty interesting statistic, 73 percent of jobs will require some form of post-secondary education by the year 2008. We have a huge task and a huge responsibility, as far we believe, to provide opportunities for students within the province. Certainly, these trends indicate to us that we need to have not only affordable but accessible, high-quality opportunities in post-secondary education. We simply can't rely on importing trained workers or people from other jurisdictions. We need to work hard to increase opportunity, choice and availability within British Columbia.

The enormous demand for post-secondary education will require institutional capacity. What we've discovered - certainly I have, increasingly, over the last number of months - is this doesn't necessarily mean it has to be attached to the typical bricks-and-mortar thinking that has previously been attached to education. There are lots of other ways we can look at that. There's increased flexibility, and I'm going to describe some of the exciting things that we're thinking about doing in post-secondary education. Undoubtedly, technology will have a huge impact in that decision.

With those things in mind we looked at what our mandate should be as a ministry. We believe that the mandate for the Ministry of Advanced Education is leadership and support for a top-notch advanced education and training system and that we need to provide all British Columbians with the opportunity to develop skills and knowledge. Why? Because they need to live productive and fulfilling lives, and, in essence, they are necessary to contribute to the challenging economic, social and cultural life of our province.

If you look at the graphic, you'll probably think that somewhat. Students are the centre of my universe, so you'll see that reflected there. I think it describes a very important principle. It demonstrates the goals of government and how post-secondary education and students fit into that equation. We have articulated the things that matter to us as government: health care, the economy, public safety and better services. Really, there's a key element and component that ties all of those things together, and that's an excellent education. We believe that will help us deliver on the goals that we have as a province.

We want to remind you just briefly about the new-era commitments that we have made and intend to deliver on in the ministry. They are extremely relevant to the problems and to the environmental context we find ourselves in. We are going to look, in particular, at research initiatives, because we believe in the value and importance of research. I'm going to speak to that in a little bit, about how we intend to look at what we do with research in this province. We're going to establish 20 leadership chairs around the province, and we're also going to work aggressively to ensure that this province obtains its fair share of federal dollars that are available. That's been a problem that's been articulated. We recognize the necessity to work on that agenda and intend to do that.

[12:35]

We also intend to focus on a number of health-related initiatives. I believe that one of these, in particular, has the potential to be a model of learning across Canada. We are going to look at delivering medical training in a different way. We're looking at a unique and exciting partnership among the University of British Columbia, the University of Northern British Columbia and the University of Victoria, looking at the ability to provide two satellite facilities so that we can train people where they live and meet the needs that are particularly important to that region. We also think it will help us in the issues of recruiting and retaining people. If you train them where they live, based on the needs that they have, we believe that will help us address some of the challenges that Ministers Hansen and Hawkins are working on with me as well. We're very excited, and we're working on that process.

We are also looking at other skills shortages initiatives. We intend to double the number of graduates in computer science and electrical and computer engineering. As you realize the context I painted for

you earlier - the number of graduates and the degrees and diplomas that we're lagging behind in - that's a significant statement. Also it's the area of expertise. We've talked about the role of technology and the need to look at the transition issues there.

The other things that we're doing are specific to consultation. We have recently begun consultations on the tuition process. I will be working on that throughout the next number of weeks. I think it's important to recognize that we honoured the commitment that was made to reduce tuition by 5 percent this year. We honoured that, and in a somewhat innovative move we actually funded that particular 5 percent reduction.

We're finding that what we need to do now is consult with students. We need to talk about the impacts of a tuition freeze that's been extended for a number of years. What has it done to opportunities for students in this province? As you can imagine, the debate is undoubtedly going to be lively and certainly brings a number of perspectives to the table.

Moving on very quickly, having looked, then, at the environmental context and at the challenges we're facing in terms of the granting of degrees and the other issues around technology, I want to outline for you the strategic shifts that, should we receive your approval today, we intend to undertake in our ministry. I'll just quickly go over them and give you a little bit of background, because I also really want to present a nine-point plan to you today for your approval which will begin to see us bring these shifts into effect.

The strategic shifts: more choice for students; more accountability to taxpayers; better alignment between costs and benefits; better links to the public interest and the economy; and a coherent, integrated public system. Let me just speak to each one of those quite briefly for you.

First of all, I know that one of the things that's been exciting about working in Advanced Education is that Christy and I share many of the same principles around what's important in education. Certainly, the issue of choice is absolutely critical. We believe that it's necessary for us to provide as much choice as possible for students. When we talk about that in post-secondary, we're talking not only about things like on-line learning; we're talking about ways to improve the time that a student can take a course. We need to look at different hours, we need to look at different models, we need to look at different approaches, and we need to look at when those courses are available for students.

The second shift is talking about more accountability to taxpayers, but it's not just about taxpayers. Probably even more importantly, it's about students. It's about ensuring a couple of things. First of all, we need to say this clearly: we spend a significant amount of public dollars in providing post-secondary education. That's right, and it's probably time that we ensure that the taxpayers of British Columbia understand that we are doing a good job of using those dollars. What we are going to explore is the creation of meaningful performance measures so we can not only assure the taxpayers of British Columbia that we're doing a great job with those dollars, but we can assure students that they are getting the absolute best opportunities and that the opportunities they are getting are indeed top-notch and extremely high quality. I think that's our responsibility.

We're going to work very hard at looking at how we measure the success of our institutions. We're considering looking at things like... Perhaps it's time we looked at the measures of success rather than simply access. We're going to look at all of those kinds of things to try to be held accountable not only to taxpayers but, probably more importantly, to students.

[12:40]

When we talk about better alignment between costs and benefits, I think there's a very simple principle that we have to explore. Funding a post-secondary education is a shared responsibility. It's shared between families, students and society. Obviously, a major part of that is the taxpayers. We simply need to begin to explore who pays, who benefits, and what the relationship is between those. That will be a challenging and interesting discussion for us. Certainly, all of us benefit from post-secondary education. As a society we certainly do. I know the Premier refers to this often in his speeches around education: the best way to improve health care and all of those kinds of things is to have a great education.

Fourthly, I think we can reinforce links between education, the economy and the public interest. One of the things we need to do is open up communication channels so that we understand each other's needs and can take better advantage of them. There is a huge pool of expertise available in institutions around this province. I often think that when we look at the critical issues facing government, not just policy issues but practical issues - you know, when Dick is dealing with issues around oil and gas and we're looking at things to do with child care and early childhood development

- there are experts inside the institutions of this province that we need to talk to. That is not something that has necessarily been done in a really coherent and thoughtful way before. I think we need to do that.

Lastly, I probably have to tell you that while it has been challenging, it has also been very energizing. We need to talk to our system partners. We need to talk to institutions as we reshape the public post-secondary sector. When I talk about an integrated public system, I know it probably causes some people concern that we're going to have little cookie-cutter institutions all around the province. In fact, that's not what it means at all. What it means is that currently we have a system of institutions that offer a variety of opportunities for students in this province. Sometimes they overlap. Sometimes we're not sure who should be doing what. What we want to do is go back to focusing on what's most important: students and where they live and how we can best serve their needs and provide them with the best opportunities possible.

We've already had the opportunity to meet with all of the presidents of all the institutions in working sessions - various groupings of them. It was exciting, to be honest. It was challenging, because I would hear the issues. There's often silo thinking that happens. That's not bad; it's just a fact. Having said that, there are also great opportunities for partnerships, and some do exist. I want to make that very clear. There are some wonderful arrangements between universities and colleges. We're simply saying it's time to take a step back. Let's look at what we do, and let's try to integrate the system, but not make it, as I wanted to make clear, so that they're all going to look the same. We just want to make sure there's an integrated process so students can get absolutely the best service possible. We're looking forward to doing that.

With those strategic shifts in mind, we went ahead and began to look at what it is we can begin to do. I think it's important for me to say that though we're presenting a plan for you, and it is a workplan, it is also a work in progress. There are some things that will shape how this workplan actually begins to be implemented.

I want to say that there are a couple of things. First of all, one of the things I intend to do is create a minister's advisory council. For the first time with any sort of regularity, I want to bring together institutional presidents in the same room so that we can actually talk about the services they all provide independently at the moment. In addition, we hope to include students and, also, others from outside the system who have expertise in helping us begin to look at what a university or post-secondary experience will look like in the future. Very quickly, we also will receive information from the standing committee that is currently touring the province. I look forward to the information they will bring back. That will help shape the plan we make. Additionally, I'm looking forward to working with my colleagues at the GCCs as we begin to discuss how this plan will be implemented.

Let me just quickly point out to you what the nine points in the plan are. First of all, obviously, I've discussed at length creating more choice for students. I do want to add that one of the things I'm considering is the potential for granting degrees and how we might look at a wider variety of how they are granted and where and at who grants degrees in British Columbia, both public and private.

The second part of my workplan is to build bridges to students. I want to look at ways to communicate both directly and less formally with students around the province. I can tell you that the tuition consultation was the beginning, I hope, of an opportunity for us to talk about more than just that issue. It was intense, and it certainly was helpful to me as the minister. I'm hoping we can find other ways to have dialogues with students about other issues.

[12:45]

We're going to look at integrating student financial assistance programs. We simply have a number of pieces to that program at the moment. We want to look at that and make sure it's done efficiently and effectively. It's an important thing to consider as we look at the future. How do we deal with student financial assistance to make it more beneficial to students?

Reviewing the tuition policy is fairly straightforward. We committed to doing that. Certainly I'm in the process of doing that over probably about the next six weeks.

The fifth point in the nine-point plan is to modernize the funding formula. Very simply, at this point I can probably explain it best this way: universities receive block funding. It's simply given to them in a block of dollars. Colleges, on the other hand, and our other institutions receive their dollars in a very complicated, scripted, tightly controlled formula. What we want to do is perhaps think about either moving those a little closer together or look at how we might adjust that to give institutions flexibility and opportunity.

Clarifying roles and mandates is our sixth point and, from our perspective, one of the most important. It'll be the biggest challenge we face. That speaks to what I suggested about the roles of university colleges and colleges. What role should they play? What should we be doing? That will require a lot of discussion and certainly a major cultural shift as we look through that.

We want to reinforce links between education and the economy. We want to talk specifically there about research and how we might take better advantage of it. We want to increase the number of patents and things that.... While research for curiosity's sake is absolutely vital, we believe we can make a tighter link to the economy of this province by looking at the role of research.

Eighth, we are going to refocus and reorganize my ministry. I will eventually, as we work through this, have a smaller ministry, very much focused around the principles that we've outlined. We will begin to look at that in the very near future.

The last item is simply there as a placeholder. Should we look at things like clarifying roles and mandates and other issues? It is likely that we will require legislation of some sort, either repealing, amending, changing or creating - less creating than the others, because I'm well aware of the whole emphasis on those things.

Premier, that's a whirlwind view of our strategic shifts and our nine-point plan. I would ask approval for the mandate, the strategic shifts and the nine-point plan.

Hon. G. Campbell: Thank you.

Any questions? Rich.

Hon. R. Coleman: Thank you, Premier.

I'm struck with the fact that I'd like to see, frankly, in your proposal a little bit more comment towards entrepreneurial spirit and our private post-secondary education system, relative to them increasing. They're expanding - places like the University of Phoenix and what have you - into marketplaces.

The previous government always seemed to have an attitude towards these 1,100 registered private post-secondary education.... Since I have a son who wouldn't have a trade today if he didn't have the opportunity to go to a private post-secondary education system, because there wasn't enough room for him in the regular system, I have a concern that we keep that sector whole and that you do pay some attention to those people who have made the investment.

I see, for Murray's sake, that over in his ministry, that training - that post-secondary education, those job-training skills that can be quickly achieved - can be achieved through that sector. I'm concerned that we don't forget about that part of education, that entrepreneurial side, and the fact that we've got to expand our focus to actually make this more financially viable across the board.

Hon. G. Campbell: Shirley.

Hon. S. Bond: It's absolutely not forgotten and is a key part. I talked about it from the perspective of granting degrees and talking about the possibility of considering who grants degrees. Absolutely, we're talking about opportunities for students and increased choice. There is a very significant role for the private trainer to play in that. It's absolutely not meant to be undermined and certainly not ignored at all. We're looking forward to the kinds of things we can do to encourage that kind of opportunity. The question is ultimately: can government do everything? Should they? We believe there's a role for the private trainer as well.

Hon. R. Coleman: Thank you.

Hon. G. Campbell: I have a question with regard to the institutions - the colleges and universities particularly. Do we impose either management regimes or regulations on them? I know we have boards and stuff, but have you found that political directives have been given that are not necessarily formed up in public policy and that constrain them in terms of focusing dollars on students?

I think it's important that we at least allow the boards that we've appointed.... If there's going to be a university board or a university council or whatever and a president of the university, let's let them run their institution. Is there much political interference with regard to that? If there is, how are we planning to get rid of it?

[12:50]

Hon. S. Bond: Well, Premier, I think one of the things we are trying to do.... Where much of that restriction lies is in the funding formula and the attachments we make to that. My early discussions with those institutions in particular are very much about exactly that kind of thinking. How do we move the responsibility back to elected boards and to giving them the kinds of flexibility that we need? We're looking at some ways to attempt to deregulate, and funding is a huge part of that. That's been the most significant comment that I've received. We're looking very much at how we can free up institutions - give them more autonomy, in essence - but also hold them accountable.

Hon. G. Campbell: Is one of the shifts here to create more institutional independence and autonomy?

Hon. S. Bond: It is, in the context of holding people accountable for the measures at the end of the day. What we're talking about is sorting out mandates and looking at who's best to decide how to offer those programs - which is, we're assuming, at institutions. But at the end of the day, we're doing that in the context of accountability of taxpayer dollars. Yes, we're looking at giving people more authority and more freedom and flexibility, but also, with that autonomy comes accountability at the end of the day.

Hon. G. Campbell: That sounded a little bit like an answer that said: "Yes, we have a lot of strings. Now we'll have a few fewer strings in the future." I am concerned, no matter how good we are politically, that we allow professional institutions, professional administrators and educational leaders to actually lead their institutions. I think that if you ask educational leaders today about the state of advanced education in the province of British Columbia, they will tell you that one of the most difficult challenges they face is political interference in building their institution to where it could be, even with the resources they have.

I'll take it at this point that you agree with that. If you don't, you should let me know.

Hon. S. Bond: Premier, you and I have had this debate on more than one occasion. The discussions that we've had with institutions....

Hon. G. Campbell: I'm not sure what's not getting through, then. [Laughter.]

Hon. S. Bond: Having said that, what we're going to do.... There's an excitement with the institutions as we talk about the whole issue of autonomy and us getting out of their way. That's certainly the intention. But we've also discussed with them accountability measures at the end of the day. It's not prescriptive, but we also believe there needs to be measurement and accountability at the end of that.

Hon. G. Campbell: Bill and then Sandy and then Christy. It's eight minutes to one.

Hon. B. Barisoff: Thank you, Premier. I was just going to ask Shirley.... When the tuition freeze came in and the freeze came to individual universities and colleges, there seemed to be some great inequities that took place throughout the province. Is there going to be a way of equalizing that or creating a more equal basis? The biggest complaint that I get is that some of the colleges and universities got caught in the freeze and now can't provide the course offerings that they should.

Hon. S. Bond: Well, there have certainly been impacts as a result of the tuition freeze. My responsibility at this point is to listen to people. One of the things I have heard is that because the rates were frozen almost inequitably around the province, that has been a particular challenge. In all honesty, it's too early for me to say how we're going to react to the tuition situation. I'm still in the process of consulting. At the end of the day, whatever decision we make, we will have to look very carefully at how tuition is handled in the province in the future.

Hon. G. Campbell: Thanks. Sandy.

Hon. S. Santori: Just one quick question. With the initiatives that were identified and the strategic shifts that you are taking, would it be safe to conclude that at the end of the day, when all this is implemented, students can obtain their degrees in a lot quicker fashion than they have today? I think we're finding that children are spending much more time in university to get the same degree that used to take them maybe four years, years ago. The real cost to parents and students isn't, in most cases, the tuition fees; it's the ongoing cost of room and board and prolonging that education process.

Hon. S. Bond: Certainly, Sandy, that's our goal. Our job is to look at improving opportunities for students and making them as timely and flexible as possible. Tuition is a part of that. You're right that

it's not the whole part, but if you have to take an extra year, the costs are significant. In addition to that, you can't work for that particular year, so there are huge impacts as a result of that. Absolutely, we are looking at how we are going to make that less of a problem for students.

Hon. G. Campbell: Christy.

Hon. C. Clark: Shirley, on the other side of the issue of independence, you're giving institutions more independence, which is an important thing to do. But of course, as a government, we have a responsibility to respond to things like skills shortages, which requires the cooperation of institutions, who are now going to be more independent.

[12:55]

I'm curious about what tools the ministry is going to have to ensure that institutions address skills shortages well in advance of those skill shortages coming into play in the marketplace - for example, like we saw with the nurses. The problem was predicted well in advance of that, the government did nothing to respond to it, and we ended up with a critical shortage of nurses.

Hon. G. Campbell: The previous government did do something.

Hon. C. Clark: Sorry - I mean the previous government.

Hon. G. Campbell: They said: "Cut back the number of nurses."

Hon. S. Bond: Well, Christy, therein lies the dilemma with the Premier's challenge to me about autonomy and independence and how we deal with those issues. But there are other ways. We're going to work with institutions. We are discussing how we are going to see those.... Not only that, we're going to deal with a plan for the future. We're also going to involve one of the things that Rich talked about, which is private providers. We're going to look at working with industry. We're going to look at how we can provide a variety of opportunities for students around the province.

Ultimately, it takes working with institutions. They're aware of the challenges, and we are going to sit down and create a planning strategy around the skills issue.

Hon. G. Campbell: I think, actually, there was never a lack of demand for nursing spaces. There was a lack of support for nursing spaces, not just from the institutions but from the government. I think that's the whole point. If you allow institutions to respond a little bit to the demands that are placed on them, you may in fact not just get a more effective institution, but you may be serving the people that it's supposed to serve in a more effective way.

We have a number of strategic shifts that have been recommended, and we have a nine-point plan that's been outlined for us here today. I think, Shirley, this is a very positive direction that you're taking. Unless there are any further comments, I think we can consider these approved. Thank you very much. Good job.

We will now adjourn.

The cabinet adjourned at 12:57 p.m.