



**TRANSCRIPT OF THE  
OPEN CABINET MEETING**

WEDNESDAY, OCTOBER 24, 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, OCTOBER 24, 2001**

**The Cabinet met at 9:02 a.m.**

**Premier's Opening Remarks**

**Hon. G. Campbell:** I just want to start with a couple of opening comments on the [core review](#). As you know, most of the ministries have now gone through their first go-round of core review. It's basically broken into two components. The first is: what are we doing? What are the strategic shifts we should be looking at? We're going to talk about some of that with four ministries today. The second is: once strategic shifts have been approved, then there is a plan brought forward which is basically an implementation plan.

Many of you have yet to get to that stage, but it is a very important part of what we're doing here. We did tell people, in the election, that we were going to make sure their tax dollars were spent on critical services in the most cost-effective way possible, and you don't do that by continuing on with the status quo. I think that the challenge we face is a huge one. I'm sure you all remember the fiscal review panel. We'd face a \$3 billion structural deficit next year if we did nothing.

One of the things the panel did recommend to us is that we look at all of government. Instead of doing the regular, across-the-board sweeping things, we start by saying: what is government doing? Why is it doing it? If government, in fact, should be carrying out a service, is it doing it in the most cost-effective way possible? These are fundamental questions that too often we don't ask ourselves. Too often we forget about the results that are either promised or implied to taxpayers as we commence a program, and we don't do very much to follow it up.

Part of the core review is also, as you know, to look at targets and goals that we set for ourselves. It's a critical part of the development of your service plans, which will be part of next February's [budget](#) on February 19. What I intend to do with cabinet is have ministers come forward and outline for you the strategic shifts that they believe are critical in their ministries in the delivery of the services that their ministries have undertaken to provide.

**[9:05]**

There are a lot of people that think we should just leave things as they were. We clearly decided not to do that. We told British Columbians we wouldn't do that. In the last decade our debt doubled. In the last decade we watched as private sector investment in this province plummeted to the lowest per-capita level of any province in the country. That is simply not sustainable. We cannot have the kind of quality public services that we expect and people want if we don't pay attention to results.

Just to give you a broad outline, after the last couple of months of going through core review with all of you individually in the task force, I think there are some fundamental shifts taking place that are reflected in all of the ministries as they've come forward. We're moving, really, away from a government that believes it can control everything to a government that believes in accountability. That doesn't mean that we don't have to make difficult choices. We are going to have to make difficult choices, and we're going to be held to account for the choices that we make. We are looking for performance measures and for outcomes. We're not just looking for process; we're looking for outcomes of those processes. We're trying to create a large government structure that acts in an integrated manner instead of a segmented manner. We're trying to bring all of us together.

One of the things I've said, as Gary's gone through and talked about the financial challenges we face, is that these are not the financial challenges that the Minister of Finance faces. These are the financial challenges that we all face. These are the financial challenges that all British Columbians face. When Colin and Sindi and Gulzar and Katherine are talking about what the issues are that they're confronted with in health care, they're not Colin and Sindi and Katherine and Gulzar's problems; they're all of our problems. I think that's a critical shift away from all the kind of jargon around silos of government and segmenting off different ministries. This is one government trying to work together, so I thought it was important that we hear over the next few weeks from the ministers with regard to specific shifts that they're making or that they're recommending to us that they make in their ministry.

The other thing I've constantly heard from ministers is that we have very rigid processes. We've had very rigid formulas that we've had to move forward with, and to use the words of people around the province, one-size-fits-all solutions don't work. One of the fundamental strategic shifts is away from rigidity towards more flexibility, away from a cumbersome, lengthy, process-oriented, lacking-in-results kind of government to one that's more flexible and that tries to deliver - and this is, I think, important - services. As we go through this, the issue that I think we all have to keep in our minds is: what is the service that we're trying to deliver to people? Why is it that taxpayers should have confidence in us taking more of their money - and it's always their money - and spending it in one area of government or one endeavour of government or another?

Finally, I think that focus on service and results is going to be critical as you go through your service plans and as you develop those. What we've heard from all other jurisdictions is that service plans are... You build them, and they get more concrete. They become more robust, as you go through the process. I think the service plans we get in 2004-05 are likely going to be significantly different from the ones we get in 2002, but we're going to get started on that. We're going to learn as we go through this, and when we make mistakes, we'll deal with them and get on with things. I think that's important.

Finally, I think the core services review is about recognizing that there's a limit to what taxpayers can pay. I recognize that some people don't agree with that. I think there are some people who think we can continue to rack up our debt. They don't recognize that as a tax on the future or a tax on their children. I think that's their position, and that's fine. It's not my position; it's not our position. Clearly, as we go through this, it's a way of looking at what the critical issues are that government faces and the critical services that government should supply. Those are things, again, that we said in the document that we ran on. The [New Era document](#) says quite clearly that we're going to focus our resources on critical services.

None of that makes it easy. It's clearly easier said than done, as I know we've all found as we've gone through this process. I do think it's important that we have an opportunity to hear from ministers, and we're going to do that today from four separate ministries. Dick is going to start off with Energy and Mines; then we're going to hear from Mike. Mike is going to cover off the Forests ministry, and then he's going to talk about Forest Renewal as well, which has been the subject of a fairly extensive consultation over the last three or four months. We're going to hear from Stan and Sustainable Resource Management and then from John, with Agriculture, Food and Fisheries, at the end of today's meeting.

[9:10]

I hope this will be informative to all of you. The ministers are going to be looking for direction from us in terms of the strategic shifts they're proposing. We'll get right to it with Dick and Energy and Mines.

### [Core Services Review - Ministry of Energy and Mines](#)

**Hon. R. Neufeld:** Thank you, Premier. I want to briefly outline for the cabinet today who we are, why we're here and some of the things we can achieve in this ministry if we take some bold steps and change the way we've done business in the past.

First off, who are we? There are 286 full-time employees with a program budget of \$67 million. Of that, \$37 million is flow-through statutory spending, and expenditures amount to \$30 million. From that, the ministry derives in revenue for the province, from oil and gas, \$1.8 billion in royalties and lease fees; minerals, from mineral tax and those kinds of taxes, \$50 million. And the downstream benefits amount to \$475 million. The downstream benefits, for your information, are not inclusive of Hydro's numbers. Those are totally separate as a Crown corporation that actually pays a dividend to the province. So this is the amount that's in the update of the downstream benefits. That gives us a total revenue of about \$2.33 billion this past year from Energy and Mines.

If you look at that in comparison to the number of FTEs that create that kind of revenue, it's about 65 to 70 times what it costs to run the operation as to what is brought in. To keep this revenue in place, we need to create the environment. We need to set the table that will enable industry to continue to invest, continue to create the jobs in the province, and that will in turn continue to give these kinds of revenues to the province to provide the health care and education that all of us want and, obviously, to help the Finance minister with problems he's experiencing, as the Premier said, not just in his ministry. This is for government. This is for the people of British Columbia.

The next slide shows the ministry today and what's happened from 1998 to 2001. Revenue has increased about four times from 1998 till now. That has a bit to do with some pricing of, specifically, natural gas. The number of wells drilled has about doubled in that same period of time. We want to be able to continue to increase that revenue to the province. We want to continue to enable the industry to go out there and drill more wells, and that's what will bring more money.

Why are we here? There are quite a number of reasons why we are here. We have to enable investment in B.C., as I said earlier, which leads to job creation, which leads to revenue for the province. The ministry is a steward of an underground asset. Its valuation is hard to determine. It's a little bit different than forestry. Forestry is a huge industry in the province of British Columbia, but you can actually go out and more or less count the trees, if you want to. Minerals, as they are in mountains, are underground, and oil and gas, of course, is underground. It's a little harder to value

what is underground, so it's important for us to be good stewards of that underground resource for the province.

We also want to enable economic development while we ensure protection of the environment. We said, Premier, many times in the New Era document that we wanted to protect the environment for the people of British Columbia and deal with health and safety. We have to keep those issues clearly in mind as we go ahead.

Just as a matter of fact, the mining industry is one of the safest heavy industries in the province. That's a good testament to the mining industry, and they should be proud of that. They're very proud of that fact and tell us all the time.

**[9:15]**

We have some more: why government? It's constantly changing industries and companies. I was in Calgary just a week ago, Premier, and talked to a number of the large oil companies. I was in fact in Vancouver a while ago talking to some of the mining companies. There's a constant buying back and forth of companies, from one to the other. In fact, in Calgary what was said to me was that CEOs now get up in the morning and they're not sure whether they're the largest company anymore, because something might have happened the day before to make them one of the smallest. It's constantly changing management and ownership of those companies, and that requires the Ministry of Energy and Mines to be constantly working with those industries, mining and oil and gas, to inform them of the opportunities in British Columbia and how they can go about investing their money in British Columbia and why we want them here.

There is a strong public interest in regulation and in maximizing value. We know that people have told us time and time again that regulation is far too strict in the province, and we're addressing that. The people of British Columbia have also told us that they want good regulation. They want their industries, their oil and gas and mining industries, regulated properly so that we can ensure the environmental protection that's needed, and that we maximize the value for the province. It's not the province of British Columbia; it's the people of British Columbia. Maximizing that value provides the jobs and the opportunities for people to invest, buy stocks on the stock market in different companies and go out there and make money.

But there is the need to change. We can't maintain the status quo. We need to change, and we need to make B.C. a globally friendly place for people to invest. Those dollars that are intended for investment, whether it's in mining or oil and gas, can go anywhere in the globe in today's world. It doesn't matter. They can go to South America; they can go to the Middle East. They can go all over, and they can take those dollars. Closer to home, they can take them to Alberta, Saskatchewan, Washington, Idaho and a little bit further south.

We have to make sure the industry knows what we're doing when we say: "We're open for business, but we want to respect the environment; we want to create jobs and create revenue for the province." They can come here and do that. We can do that by making it easier for them to invest money. We can make it more certain, which they've asked for, and make it cheaper to do business.

The next slide is actually a pretty exciting slide, Premier. It shows what we can do, if we act boldly. We could have - this is over a six-year period - a minimum of \$24 billion in six years. That would create 8,000 new jobs. I'm talking about direct jobs, not spinoff jobs that go on down the line. We're talking about direct jobs in the mining industry, in the oil and gas industry, that average anywhere from \$70,000 to \$80,000 to \$100,000 a year - family-supporting jobs where people can actually go to communities, live, support their family and enjoy living in British Columbia. That, in turn, will actually give us about \$16 billion in revenue to the province.

Those are absolutely unbelievable numbers, but they are real. We've been ultra-conservative. If I go ultra-conservative... I want to be careful here because I don't want to fall into the trap of what's transpired many times before. Ultra-conservative means, over six years, we would gain about \$3 billion in investment - over \$500 million a year, middle of the road. I'm not talking about optimistic; I'm talking about middle of the road. We can actually have about a billion dollars a year extra into the provincial coffers, if we act boldly and make some changes.

I should note, too, that these numbers do not include B.C. Hydro's investment, whatever that's going to be in the future. It doesn't include IPPs - independent power producers, I should say - which will be part of the system. It doesn't include offshore, and it doesn't include anything to do with northern pipelines. I'm sure many of you have heard about the Alaska Highway pipeline or the Mackenzie Valley pipeline. It doesn't include any of those.

**[9:20]**

Mr. Premier, actually, it's exciting when I go to Calgary. I was there just a week ago and spoke to a group of people and also visited with some companies. You go around and talk to these companies - Anadarko, Calpine, AEC, Suncor, CNRL. They talk about \$250 million, \$400 million - some upwards to a billion dollars - of investment that's waiting to come to British Columbia if we act boldly and change the way we're doing things. We can do that.

Northgate mining, for instance...; Mining has had a tough time in the last while. Prices are not good in the mining industry. I didn't go, but the deputy minister went to Kemess, which is an operating mine in northern B.C. There's a property called Kemess North that they're very excited about and want to invest in and open up and bring on more production. That's good news for the province, but we have to still act boldly, quickly.

We went out, Premier, to the industry and to people that worked for the Ministry of Energy and Mines and asked a number of questions over the last while. They gave us a scenario of things that they thought we should be doing to act boldly and quickly to make these changes. The industry told us they needed positive relations with first nations. We listened to the Attorney General a while ago in this room give us an update on treaty negotiations. Even though we have treaties in some areas, there is some serious need to look closely at how we deal with first nations in British Columbia so that we can expand on this, so we can bring first nations into the economic mainstream of these industries and so they can actually see something happen in their communities that will also benefit them.

Land access and security is another issue that's on the agenda of most industry, whether it's mining or oil and gas. Community attitude - not in my back yard. I think my ministry and others have to do a better job of selling why we need this industry, what it does for the province and how it can make life better for everyone who lives in British Columbia. That's a challenge that I and some of the rest of us have to take on.

Federal relations - that's another issue. We have committed, in the New Era document, to having better federal relations. I use the Department of Fisheries and Oceans as an example where we have to get better a relationship between industry, our provincial government and the federal government.

And taxation - corporate and personal. That used to be at the top of the list; that's now at the bottom of the list. We're not quite there, but we're very close. Again, when I was in Calgary and Vancouver recently, industry is very excited about the changes that this government has made and that the Minister of Finance has done to encourage investment in the province. It will bode us well into the future to have that \$24 billion worth of investment that's going to create a huge amount of jobs.

Internally within government, we have to change some issues around WCB and those kinds of things - how we permit, how long it takes us to permit. We have to be able to attract the right people to government and be able to hold them. Industry now takes them away from us, because we have silos. We seem to set people in there, and we don't let their entrepreneurial spirit flow out. We have to make those changes.

There are some things that none of us here can influence, and that's commodity price - whether it's natural gas or copper or growing competition for risk capital or the global economy. Those things are out there. We just have to deal with them as they come. If we act boldly and internally, we take some quick actions. We have to get to results-based standards. When I say quickly, I mean quickly - not three years from now. If we're talking about this six-year time, where we could actually see this investment and this revenue to the province and the jobs, we have to do that quickly - again, remembering that we'll do it quickly, but not at the expense of the environment. There's no way we would ever try to say that. There is a way we can respect the environment, and there is a way we can get to results-based.

We have to restructure to one-window permitting processes for the mining industry and the electricity industry. We already have it in the oil and gas industry, and we need to streamline that some more. We're working on that. We need some flexibility with our staff. We have to fix the key challenges that I just listed from industry. We have to foster and maintain competition, as I talked about earlier. That's making sure that industry knows we're open for business, why we're open for business and where we're open for business, if we want them to come here.

**[9:25]**

In turn, that will have an impact on government. It will foster industry competition, increased investment, more jobs, more revenue, increased prosperity for the province and, again, for health care and education. That's for every British Columbian. It will help us pay for those services.

What we will do differently. These are some of the things that I would like to see us go to. Regulation. You can see we used to be big on regulation. We want to change that and get smaller regulation. Geosciences. We used to have a fairly big part of geosciences. We want to get a little bit away from that. Policy. We have to change that a bit and change it to strategic policy, Premier. Shared services are important, and the biggest thing is fostering competition. That's what we have to do in this province.

We talk about a free enterprise economy in the province that's not prescriptive in the way that people can go out and invest their money, where it's results-based, where people can actually come here, know the rules, invest their money, make a profit - because they have to make a profit - and create the jobs for British Columbians. Thus, we will get some revenue from our resources through royalties and those kinds of things. That will be just all the better for the province of British Columbia.

We'll obviously know we've arrived there when we have new mines that are open, when new basins - and there are basins other than in the northeast - in the whole province of British Columbia that we can go to, to explore for oil and gas. We will have streamlined processes.

Increase our market share. That's possible, again, through making sure people know globally that this is a good place to invest. You can actually come here and invest, and your money's secure. You can make money for your shareholders, and you can make money for the province of British Columbia. We have to have some flexibility and maximized revenue in Crown assets. That's part of the ministry's job.

We need working agreements with first nations. Again, I spoke about that earlier. The Attorney General's ministry and my ministry are working closely on fostering that and having some good working agreements in place.

Attracting and retaining key, good staff within the ministry is important. That's going to require some changes.

Mr. Premier, that's briefly where we were, what we can do, what I'd like to see us do. I need some approval from you and cabinet today so that we move quickly and that you give my ministry the authority to work with the other ministries that we'll have to, to get results-based permitting and performance-based compliance. We need, again, the authority to act quickly within the ministry - one-window authorities and a flexible budgeting model. That's the question I'd like to ask today of cabinet, so we can get on with doing that.

With those few words, thank you, Mr. Premier.

**Hon. G. Campbell:** Thanks, Dick. I've got Gary and Rick.

**Hon. G. Collins:** Dick, I'm looking at slide 15, your "Who we are - MEM today." You spoke fairly quickly about this section, so I'm trying to get a sense of what you actually meant when you were talking about it. You have the big circle with regulation, the big circle with geosciences, the strategic policy, fostering competition, shared services, and then you've got them all focusing into this subsurface asset management. You spoke in general terms about what you're shooting for - results-based regulation. I don't understand what you mean by what your shift is for geosciences. You said we do a lot of that, and we need to do a little less of it. I don't know what that means.

When you talk about fostering competition, what does that mean as well? How do you see that happening? How do you see the role of government to help to foster competition there? Then I've got a couple of other quick questions as well.

**Hon. R. Neufeld:** Geosciences is part of the mineral mapping of the province. A fair amount of our ministry does that. What we'd like to do is be able to move those people around to wherever there is more activity. Right now there's not a lot in the mineral sector, basically because of the prices. We'd like to be able to move those people around to where we can use them more in doing some work on underground resources and other basins - the Fraser Basin, the basin in the northwest and those kinds of things.

[9:30]

How we foster competition...; For our land sales, for instance, within the ministry, we have people that hold public auction for land sales. That's not to buy land; that's the right to drill. Those land sales usually are about five years in length, but not always. Through its work and what not, industry will work with our ministry and ask our ministry to put up certain parcels for sale, because they feel there is a better opportunity in those areas.

We can foster competition by working closely with industry there, so we actually get a better dollar for the right to go out there and drill. If we were just to say, for instance, "This block of land is up for sale," without knowing or working with industry to find out what they think is below the ground, we might get very little for that.

If we work closely with all industry, that will foster competition. We'll have all the major companies coming in and saying: "I, too, believe there is good value underneath the ground, and I want to bid high for that." For instance, Gary, some of the Ladyfern stuff doubled in one year - in the Ladyfern area just north of Fort St. John, where they found the big find. It actually doubled in the land sales that we put out, simply because there was some excitement and we didn't just open up the whole area to land sales.

**Hon. G. Collins:** The other big one you've got on this slide is the regulation. You talked about going to results-based regulation as opposed to prescriptive regulation. I think that's sort of a trend. Everybody is trying to work towards that. That's a bigger job than sometimes you'd think, looking at it the first time. They do drilling for oil and gas in Saskatchewan and Alberta. How do we compare on the regulation front as far as overall burden to industry? I'm assuming they try and protect the environment, protect the workers and protect other things in Saskatchewan as well as Alberta. How do we rate relative to those two provinces on overall burden?

**Hon. R. Neufeld:** Well, some of our processes are a bit slower, and there are some reasons for it. When I say "less regulation," I stress the fact that we want health and safety to be a very good part of that and good regulation for British Columbia, the environment and those kind of things. Those other provinces obviously do the same things.

I'll give you an example. The Ladyfern area is right on the Alberta-B.C. border. To get a permit to drill in British Columbia was taking 30 to 45 days from the time you put the application in until you got the authority to do it. The drilling companies were drilling so fast - because they wanted to hit those big finds, those 50- to 60- to 100-million-cubic-feet-a-day wells - that they would actually apply for a permit, move the rig to Alberta, drill one or two holes and come back to B.C. and drill another one. What happened was that they could go to Alberta and get a permit to drill a well within a week.

Some of that has to do with - and we're probably not ever going to get away from it - first nations consultation. It's the same treaty area - different bands in different areas. Geoff can probably explain it better than I can. It was the way the rights for mineral resources were transferred to the province of Alberta, at what period of time in our history and when they were transferred to British Columbia, bringing along a responsibility of the federal government. The federal government still has some responsibility there, whereas in Alberta it's a little bit different.

Alberta has also gone a little further ahead in negotiating revenue-sharing with first nations, which helps a whole bunch. In British Columbia we just started that process in the last few years. As Geoff said before, those first nations that see all those logging trucks and rig trucks going by in British Columbia, who haven't been able to get in to be part of that economic pie, are starting to say more and more every day: "We have to get in on this. We have to get in on the economic pie." We're working hard to strive to do that. That's part of why we'll always be that way.

**Hon. G. Collins:** My last question - and I'll try and be quick. The \$16.2 billion in additional revenue over six years - is that direct royalty revenues to government? Or are you including other revenues like personal income tax, corporate income tax? That's just strictly cash dollars.

[9:35]

**Hon. R. Neufeld:** No. That's straight cash dollars in royalties, lease fees, mineral tax, those kinds of things. It has nothing to do with personal income tax, corporate tax or any of that. I know some industries kind of add that on, but we wanted to stay with the hard figures just as they are in the budget update manuals. If you look, there's a line for oil royalties, gas royalties, lease sales, bonus bids and mineral tax. So we've kept that out of it.

**Hon. G. Campbell:** Okay. Thanks.

Rick, Graham and Colin.

**Hon. R. Thorpe:** Thanks, Dick, and thanks, Premier.

Dick, assuming you get approval of this, do you have a timetable in place on your "act boldly" scenario here? How fast do you think we could see some renewed economic development and jobs created in your area of responsibility here in British Columbia?

**Hon. R. Neufeld:** Again, I'm asking for the authority to do that today. I haven't gone a long way down that road yet because I still haven't got the authority. I've made one presentation to core. If I get this approval today, when I come back to core - I believe it is in early November that I'm scheduled to come back - we'll have some specific things lined out in time frames, what we can do and how quickly, working with the other ministries so that we can get on with this job.

**Hon. G. Campbell:** What everyone's doing is creating...; They need approval for their

. Then, following the strategic shifts, the next chunk is their implementation plan. Actually, most ministries have not gone through the implementation planning stage yet. Some have, but some haven't.

Graham, Colin and Murray.

**Hon. G. Bruce:** Dick, this is really quite encouraging to see. I'm looking at page 7, following from where Gary was speaking in regards to the \$16 billion in revenue to B.C. More specifically, you talk about the 8,000 new direct jobs. What I'm wondering about in this respect is: are you able to give kind of a view of how this comes down on the map throughout British Columbia - the oil and gas and mineral development and so on, on Vancouver Island, up in the north, the Cariboo - so that we can all kind of relate a little bit? I mean, everybody is going through restructuring their own communities. It's a difficult time, particularly here on the Island, the forestry side. What's your view? How does that look on the map of British Columbia?

**Hon. R. Neufeld:** That will go across the whole map of British Columbia. Obviously, minerals are in the mountains all over British Columbia, and they stretch from the southeast to the northwest of the province. It's a matter of being able to get competitive dollars in there for folks to do some exploring to find new mines. That could be across the whole province, Graham.

For oil and gas, obviously, the most explored area - in fact, it's underexplored, but it's where we've had all the oil and gas activity - is east of the Rockies in northeast B.C. That will be a big part of it. Other basins that I want to look at and start opening up and start discussions about are in the northwest. There's the Bowser basin, and there are some basins in the interior, in the Cariboo.

We want to open up the coalbed methane, which is a gas much the same as natural gas. It's found in coalfields. British Columbia has huge resources of coal and, I'm told, huge resources of coalbed methane. It's somewhere in the neighbourhood of 250 trillion cubic feet of coalbed methane. That's on Vancouver Island, in fact. We're working actively through the ministry. The ministry has been out into different communities across the province, talking to the people about what happens with drilling for coalbed methane so that people understand it more. Those kinds of advantages will come to Vancouver Island, and at some point in time it will be a major source of supply of natural gas for the Island.

Right now Alberta Energy Corporation is spending in the neighbourhood of \$12 million in the southeast part of British Columbia trying to find out just a little bit more about coalbed methane. They're also doing it in the northeast, in the coalfields there.

There's the Hat Creek area in central B.C., where there's all kinds of opportunities. What we have to do is work towards getting those processes in place where people can actually come here and make those investments. So it bodes well for the whole province. We want to open up the whole province to those kinds of industries, and we ought to be able to do that.

[9:40]

**Hon. G. Bruce:** In the job part of it, I'm led to believe that people in the mining industry will, on average, make somewhere in the neighbourhood of \$70,000 or \$80,000 a year. Of course, most of those jobs, as I'm led to believe, are union jobs.

In respect to the development of those jobs, how are we at this point on the labour force? I understood we lost a lot of our mining industry in the past ten years out of British Columbia to South



America and other parts. What is the mining industry saying in respect to actual skills and manpower for that?

**Hon. R. Neufeld:** There's a huge shortage in skills not just in the mining industry but also in the oil and gas industry. In fact, we talked yesterday with Shirley Bond about how we go about getting people in on training for those jobs - industrial electricians, pipefitters, welders, rig hands, people that work in the mining industry and those kinds of things. We're going short on those, and we have to work towards creating more of those opportunities for British Columbians. Again, you're right about the number of dollars. Those people make on average \$70,000 to \$80,000 a year. It's no different in the oil and gas industry; \$70,000 to \$100,000 a year is not uncommon. For those folks to make their good wages, we have to keep them in British Columbia.

What we've done for a long time is depended on the Alberta market to come into northeast B.C. to do the work, and then they go back to Ralph. They actually pay their taxes to Ralph. I want to change that. To change that, we have to make some changes in British Columbia to encourage development across the whole province and keep those people here in Williams Lake, Quesnel, Cariboo and your area - wherever - so that money actually accrues to our coffers and to the Ministry of Finance coffers in personal income taxes.

**Hon. G. Bruce:** Just one other question, if I could. On the mining exploration - and I don't know about oil and gas - I'm led to believe that it's about ten years from prospecting to the actual opening of a mine. Is that still the time line, and what kind of money do they spend in exploration work just in trying to determine whether or not there's a good enough hit there to carry on in the full development of a mine?

**Hon. R. Neufeld:** Ten years has been the thumbnail of where we've been for awhile. Hopefully, we can shorten that process a bit. Mining is a bit different than oil and gas. It's not as immediate. It takes longer to get a mine into production simply because of the processes they have to go through. A lot of that is not with government. All that has to do with investment and going out and finding a mine. The cost of finding a mine, Graham... I wouldn't want to make a guess at it, because they're usually in the mountains. Depending on how far they are from a high-grade road or if it's only accessible by air, there are huge costs that the mining industry has to take into account to do those kinds of things. We want to shorten that time frame as much as we can, but remember that mining is not as quick as it is for oil and gas.

That's just the nature of the business, but once you get a mine in place - and Minister Santori will know this from where he comes from - it's there for a long time. Sullivan mine is a good example. It's been there for a long time, produced an awful lot of revenue for the province of British Columbia and has enabled a lot of people to live a good lifestyle in that area of the province. We have to get those mines on board.

In drilling, we drill about 1,000 wells per year, give or take a few. You're not going to have that many mines, obviously. Mining is totally different in how it's developed over a period of time.

**Hon. G. Campbell:** I think that one of the critical things for mining, which Dick pointed out in his challenges, is that they've got to have some security. They have to know that if they're going to carry out the exploration, there is actually an economic opportunity at the end of it.

[9:45]

The second thing deals with the one of the challenges he mentioned: the federal-provincial challenge. We have commenced discussions with the federal government in terms of their environmental assessment so that we have an environmental assessment that's actually both governments working together as opposed to working sequentially. You do either a B.C. one or a federal one, and that's followed by either a federal one or a B.C. one. When you apply sound science, there's no reason why we can't have a more coordinated and unified environmental assessment process that we go through with regard to those. I think those are important things that we've got to do to try and shrink down some of those costs and the time.

Colin.

**Hon. C. Hansen:** Thank you, Premier.

Richard, I was struck by two numbers that you used at the outset of your presentation. One of those numbers was the expenditure in your ministry of \$30 million a year. What sort of popped into my head is that we spend that much money on one drug in the Pharmacare program.

**Hon. G. Campbell:** It's funny. That's what popped into Richard's head too. [Laughter.]

**Hon. C. Hansen:** I think the number that's probably more important is the number at the bottom of the page, when he talks about the revenues at \$2.338 billion. That is a quarter of the health budget in this province. We look at some of the challenges we've got in terms of meeting the needs of British Columbians for their health care, and clearly we have to start finding new revenues in order to meet those challenges in the future. So I think what you've presented here today is quite exciting. From my perspective and, I think, the perspective of patients in British Columbia, the sooner we get on with it, the better.

**Hon. R. Neufeld:** Thank you very much, Colin.

Just to remind you - and I take this opportunity, Premier....;

**Hon. G. Campbell:** You actually agree with him - right?

**Hon. R. Neufeld:** Yeah, I agree with you. At the present time I want you to look closely at the \$1.8 billion that comes from east of the Rockies, northeastern British Columbia, in oil and gas revenues. Health care is important to those folks who work in that industry. [Laughter.]

**Hon. G. Campbell:** I hear you.

**Hon. R. Neufeld:** Yup.

**Hon. G. Campbell:** I'm surprised you didn't say something to Judith there.

**Hon. R. Neufeld:** I'm waiting.

**Hon. G. Campbell:** I've got Murray, followed by Rich.

**Hon. M. Coell:** Dick, I'm really pleased to hear about the potential jobs, from my perspective. But one thing struck me, and maybe you can comment on it. When I was in your riding last spring, we toured some of those sites. One of the things that I asked the people who owned the companies was: "What degree of training do people need?" They said: "Grade 12 and drug-free - we'll train them for the vast majority of those jobs."

I think that's a really important thing for young people to know. There are \$70,000-, \$80,000- and \$90,000-a-year jobs, and you can be trained on the job with a minimum of grade 12.

**Hon. R. Neufeld:** For some of the jobs, yes. For some of the jobs on the rigs, that's obviously true, but technology has changed an awful lot.

You will recall that some of the rigs we went to were underbalanced directional drilling. People know that underbalanced directional drilling doesn't use mud to drill, to keep the bit cool, but uses an airflow. Directional drilling is where they'll drill down maybe 2,000 or 3,000 feet into the earth and then go on a 90-degree angle into the pay-zone another 3,000 feet. What they do is come straight down, and what they used to do is have maybe a 20-foot pay-zone from where they would extract natural gas. As long as there was enough pressure - oil or natural gas - to push it into the pipe, it would come up.

What they do now is drill down, go directional, and they'll drill in that pay-zone for 3,000 feet. You can imagine what happens when they do those kinds of things. They can also drill from that one well in about three or four different directions. So there are huge opportunities there in technology. You'll remember some of the buildings we went into, where it was all computerized by the folks that are doing the work. So it's a high-tech industry.

When people talk about high-tech in the lower mainland, it's just like the forest industry, like Mike talks about. The forest industry uses a huge amount of high-tech. The mining industry uses a huge amount of high-tech. If you've ever ridden in or looked at some of those big coal trucks at Fording, they're all controlled by computers. Or you look at the oil and gas industry - a highly computerized industry. But there are opportunities there for people if they want to work and work hard - long hours. It's not clean. You can make a good living.

**Hon. G. Campbell:** Rich.

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

My question, Dick, goes to something else. You talk about results-based permitting, and then you go into compliance and enforcement. We're hearing this more and more from every ministry. As I hear the word "enforcement," I always think back to what status you need for the person that's going to enforce and what training they need. Have you given any thought to special constable status, training and reporting - how you will measure your enforcement in the field - and then how you'll deal with your violations and how we're going to handle that within our systems?

**[9:50]**

**Hon. R. Neufeld:** Well, hopefully it doesn't get far enough that we have to take an RCMP officer out to the rig, but we'll have to have some enforcement and some compliance. Results-based means that there are a certain set of rules that are set in place, and they'll be different for different areas. One-size-fits-all doesn't work. That industry, when they come to an area, will be given this set of rules: "This is what you have to do. Please, at the minimum, you have to meet this." And those will be high standards. We've always said we'd have high standards in British Columbia. They can exceed those, if they want. Most companies will. That's pretty standard in today's world, because they know that they sell in a global market, and they're pretty sensitive to those kinds of things.

What we intend to do with results-based instead of the prescriptive model... What happens now is that someone will come in with a program to drill a well around Fort St. John. We'll have the Oil and Gas Commission go through that every step of the way: "You can go on this road. You go that way. You go here. This is what you cut down in trees. This is what you don't cut down. This is where you put this. This is where you put that." It's totally prescriptive.

We want to say: "Here are the rules. You go in there and do it." And what we will do for compliance is have ministry people go out and do audits. They'll end up in Calgary or Edmonton or wherever the head offices are - Dallas, Houston, Oklahoma, wherever. They'll walk in and say: "I want to see the process that you used on X, X or X well. I want to have all the paper work on it." They'll take it away, and they'll come back home and say: "Did they meet all those standards? Did they actually exceed those?" If they didn't meet those standards, guess what: "The next time you walk through the door, you may not get that permit that fast. You may have to go to the prescriptive mode if that's the way you want to operate. Or you may not even get one." If they exceed them, we're actually going to let them get it that much more easily, to enable them to go out and do the work. Rather than get right down to the absolute compliance of how you send a person out to actually do it, that's a thumbnail of how it will be done.

**Hon. R. Coleman:** That goes to compliance but not to the issue of enforcement. My issue is enforcement, not so much doing an audit after the fact. If you have a problem in the field, how are you going to "police" it? We don't have police officers trained in the compliance of oil and gas. What steps will your ministry do to be able to manage that internally?

**Hon. R. Neufeld:** No, you don't and probably never will have, I don't think. What happens within the Ministry of Energy and Mines and within Joyce's ministry... That expertise exists, and that expertise will be used for those things. Monitoring air emissions and all those kind of things, whether it's flaring or putting some of the stuff down-hole again - that's all done by regulation. There are rules they have to follow. Joyce's ministry has people that are very knowledgeable about those issues, and within the ministry we have those too.

**Hon. R. Coleman:** Okay. Thank you.

**Hon. G. Campbell:** Just to give you an example. I can recall, when I was dealing with some people in the Peace, that they pointed out that one of their frustrations was that we had a Forest Practices Code that was acting in direct conflict with the Workers Compensation requirements. So while they wanted to have lines where they could go and explore seismically, they were told by the Forest Practices Code that the cut could be this narrow, and they were told by Workers Compensation that it had to be that narrow. They couldn't find anyone to tell them what the answer was at the end of the day. Those are things that we have to clear up.

Secondly, I think we have to make sure, in terms of results-based - at least, if I'm understanding what you're saying, Dick - that we are going to demand that results be met. We are going to demand that those standards be met, and there will be significant penalties if they're not met.

**Hon. R. Neufeld:** Yes.

**Hon. G. Campbell:** Again, I think the industry is actually encouraging that because that's how they'll get some certainty in where they're going. Hopefully, there'll be a lot of that back-and-forth taking

place.

**Hon. R. Neufeld:** Further to that, Premier, my experience in the industry, where I worked for quite a number of years - I worked as an agent for a company called Petro-Canada for 12 years - was that their standards were higher than the province's. If you didn't meet those standards within the company, you were in trouble.

**Hon. G. Campbell:** Okay. We have a recommendation from Dick to proceed with results-based permitting standards, performance-based compliance and enforcement and authority to act quickly.

Joyce?

**Hon. J. Murray:** I just had a question, before we conclude, on page 18.

First, I want to say that I appreciate you mentioning that commitment to sustainability and environmental standards. In my ministry we are definitely committed to improving any aspect of environmental regulations that cause costs and time delays without environmental protection benefits.

[9:55]

When you talk about one-window authorities and a flexible budgeting model, I just am curious. If you could give me some example. By one-window, do you mean that Water, Land and Air Protection ministry staff and your staff might be located in the same building, so the client doesn't have to travel across the province to get response and service?

**Hon. R. Neufeld:** Sure. Two things. We already have one-window, as I spoke about, with the Oil and Gas Commission. That's where people that work in your ministry, in Energy and Mines and in Forestry all work collectively. This is where it's prescriptive. I want to get that to where it's results-based so that when people come in to get their permit, there's a set of rules that are set out by your ministry, Stan's ministry, mine and Forestry, so we all know what standards they have to meet. We only have it for the Oil and Gas Commission right now.

What I'm saying is that I'd move that to mining - mining now has to go across to different ministries wherever they happen to be - so we have a one-window approach and to electricity development for new electricity. Whether it's green energy, whether it's run-of-the-river or whether it's gas-fired generation and those kind of things, they actually come to a one-window agency to get those permits so they can go ahead and build those projects. That's what I mean about a one-window. Certainly, your ministry is part of that.

A flexible budgeting model is just simply to allow the ministry, within its own ministry, to be able to use people to the best of their ability, to move them around so that they're not siloed here and I can't take them over there, to where we actually look at ways of paying people to use their entrepreneurial spirit and their minds to better serve the people of the province of British Columbia. We seem to think that we just need that person out there doing this job, and you can't go any further.

We're saying: go further. Make those changes; make those choices. Obviously, you're going to make the odd mistake, and we'll be there to back you up because of that. I've always been taught that if you don't make mistakes, you're not doing anything. You're just kind of standing still treading water. We want to get the entrepreneurial spirit out there from the people that work in every ministry actually doing things better for the province and better for every person in British Columbia. That's what I mean about flexibility.

**Hon. G. Campbell:** Okay. One-window authorities and flexible budgeting model - those are the directions that Dick's asking for approval. Any concerns, amendments, changes? Okay, Dick. Good job. Thank you very much. Consider it done.

The next item on the agenda is the major resource industry we've had in the history of our province. Minister of Forests - Mike.

### [Strategic Shifts - Ministry of Forests](#)

**Hon. M. de Jong:** Thanks, Premier. Well, like all of you and Dick, we are going through this exercise called the core review and asking those large questions: who are we? Why are we here? What on earth possessed us to accept the Premier's invitation to do this job?

**Hon. G. Campbell:** I've been asking myself that about you too, Mike. [Laughter.]

**Hon. M. de Jong:** In this case, it is a job involving, as the Premier just said, that asset, that resource, which has historically driven the provincial economy. It is now, happily, being competed with by other resources like oil and gas, but there is a great historical legacy around which the province has been built.

I would just, by way of reminder, emphasize this point. We as a government are making a lot of changes, and I think there is sometimes a suspicion that we are doing this because we like to make changes. That is not the case, and in this particular sector of the economy, I think and hope all of us are satisfied that what's out there now just isn't working, and the role that the government is playing in that process has fallen short. Go to Tahsis or Gold River or Prince Rupert. There is a pretty sad legacy out there right now; the imperative to make the changes, I think, is there for all to see.

**[10:00]**

We have been talking about that. I remain amused at the number of times I am asked about this recent conversion to the notion of market-based timber pricing. Well, we've only been talking about it since probably a year before the election and certainly through the campaign when we made these new-era pledges. There is that need, but it is also consistent with what we have been talking about when we were in opposition, through the campaign and now in government, and I think it's important that we keep that in mind.

Why do we need a Forests ministry? Someone could argue that it is a place where we employ lots of bureaucrats - lots of very talented bureaucrats. But why do we actually need it? Well, we have this huge asset. It's called the forests, and the Crown owns most of it. I think that at the end of the day, you can make a compelling argument that we need to protect and manage that asset that the public of British Columbia owns, and at the same time I think we have an obligation as the public's representatives to ensure that we maximize the benefits we can derive from that asset. The question then is: to what extent does the business model we have in place within the ministry today serve in furthering those objectives - that is, protecting, managing and maximizing the benefits? I am, after having embarked on this process thus far, forced to conclude that the present business model within the ministry does not serve to help us achieve those core objectives very well.

So what are the problems based on our analysis now four months in? We have a regulatory process that is not particularly cost-effective, not particularly effective - the command and control, the prescriptive nature, those same issues that Dick just alluded to. You've heard us talk about the Forest Practices Code a lot. We have all talked about it a lot, but there are other features to what exists. The minister is vested with a tremendous amount of discretionary authority in circumstances where that... The logic behind vesting that discretionary authority in the minister eludes me in many cases.

We constrain market forces in a whole bunch of different ways. Let me say this, and you have heard me in the past talk about the fascination I have for a policy that admittedly has been in place in British Columbia for many, many years where we actually say to stakeholders, where we actually say to licensees: "You are going to go out and cut timber whether it makes economic sense to do so or not." Well, think about that. It's a rather bizarre notion, actually, and it does constrain those market forces. We say to companies, licensees, large and small: "When you cut timber, we are going to tell you where to process that timber." Let's not kid ourselves. We, on the one hand, talk about maximizing the return out of every stick of timber we take out of the forest yet in the very next breath purport to defend a policy that requires that timber to be funnelled into what are, in many cases, 2-by-4 plants. They are incompatible notions to my way of thinking.

**[10:05]**

We have over the years incorporated an element of social engineering into forest management policy that has not at the end of the day served the province very well. The grand example - but it is only one - was a previous administration's project or experiment called the jobs and timber accord. Well, it didn't work. That is a battle from another day, but the results are worth remembering: it didn't work. That notion of social engineering has not served communities in this province very well.

We believe it's time to refocus the mandate for the ministry. To summarize that quickly, we want to protect the people's forestry asset. We want to provide for a competitive forest industry. Let's not lose sight of this, and Dick mentioned it as well. We can do a lot of good things, but if we are not practising the highest environmental standards, at the end of the day we will not be successful because our access to our markets will be compromised. They go hand in glove. We want to maximize the benefits to the people of this province, subject to the two items listed above - environmentally, of course.

What are the core functions? You can summarize them this way. It is protection, it is pricing the asset we have, and it is selling that asset. That's what we do: protect, price and sell. Now, the question is: how do you do that? Similarly, we need to set some performance standards for businesses. As we heard in the other resource sector, we need to establish some measurements around compliance and enforcement. We do, given where we are today, need to recognize our obligation around first nations consultation but also a desire to foster opportunities for first nations and greater involvement in the forestry economy. As I said earlier, we can do all of that well, but I think we have properly chosen, by virtue of what we have been saying for some time and in the New Era document... We need to protect and enhance market access.

Premier, you are off to the Far East next week, are you not? I know that is a part of what is on your agenda. That's an exciting opportunity for people in the forest sector. We are, at the moment, preoccupied with preserving our market south of the border, but at the same time there's an excellent opportunity for us to expand into new areas. I know you'll be carrying that in your tool chest as you fly to the Far East.

What does the ministry then have to do, if those are the functions we believe are core to our existence? The first point I want to make is that as I go around the province, there is a recognition on the part of people that there must be change. I think there is a recognition that that change will, at times, be difficult. I think there is, as always, recognition that there will have to be difficult decisions made. But I have to tell you that as I engage in this discussion with British Columbians, the universal message is to please get on with it, because what we have in place now is not serving the province very well.

If we break this down, let us look at... For example, I mentioned regulation. It is process-driven. It is prescriptive. It is micromanagement to the nth degree. We believe, like Dick was talking about in his realm, we need to move to that results-based forest practices code. We need to do so in a way that will hold professionals and stakeholders accountable.

#### **[10:10]**

On the timber side of things, we have a system in place now that very much has the ministry dictating where timber is going to go. I think it makes much more sense for us to work towards the establishment of a system where timber is going to follow the market - that is, if we are serious about maximizing the return of the asset and maximizing the value out of every stick of timber we grow and harvest in this province. That surely has got to be a fundamental feature of what we do.

We can achieve that. It requires having licences that are more easily transferable. It requires lifting, I think, some of the sanctions that exist now that operate against the free movement of licences. If we do that, you are going to create more opportunities for involvement in the sector. On that point there are still, as you might expect - in terms of private sector involvement and as you ask yourself what the ministry does - features of what this ministry does that the private sector needs to do.

Just one example. We still operate commercial nurseries. We don't need to do that. In 2001 the ministry does not need to be in the commercial nursery business. That is but one example. Like all of you, we are challenging ourselves to try and focus on those core functions that we think lie at the heart of why the ministry exists in the first place.

Competition. Revitalization. If there is a feature to what we want to do in terms of the changes we want to make, it is this. It is to create a framework within which the behaviour and performance of our industry, our forest sector, is tied directly to the market. I don't know if that's a classic definition of a feature of free enterprise, but it is certainly an important and applicable one in this case.

All of us have heard about the B.C. discount coming to British Columbia. I don't think we want to be a regime, a government, that presides over the continuation of that feature of investment in British Columbia. I think we want to create a circumstance in all of the areas, overall in our economy, where people come here with a view to realizing a good return on their investment. There are changes we need to make in the forestry sector that will enhance that competitiveness.

We measure wealth, but in the past we have done so in the forest sector purely by looking at the volume of timber we harvest. I think it is probably time that we looked at the benefits of the timber harvest. We are fixated with AAC, but there are things we can do to grow the AAC within certain areas. A working forest is something that Minister Hagen is striving to achieve, to grow the AAC. Area-based tenures are features of a renewed policy that can improve our performance and increase our wealth. So there are some things that we need to do - the action plan, if you will, that I need you to understand and have confidence in and provide me with instructions to proceed with.

**[10:15]**

We are going to move, as we promised, to a market-based timber pricing regime, and we are going to do it by early 2002. Features like the waterbed - again, the logic of which eludes me... When we talk about the elimination of these things, for the Finance minister, we shouldn't underestimate the extent to which that complicates the lives of those who are charged with projecting revenues. We are going to do something very novel. We are going to tie our own fortunes to those of the industry. That has been something that governments of the past have been very reluctant to do.

We have a trade issue with the U.S. I'm not going to spend hours today talking about where we are. There are talks going on in Montreal. We continue to inch forward. As I said, our ability to realize on our objective of maximizing the benefits is tied very much to our ability to gain unrestricted access to our largest market.

We need to understand the significant and unique challenges facing the coastal industry and work with the industry towards solutions there. We need to move ahead in the fastest way possible with overhauling the Forest Practices Code. That work, to be blunt, is ongoing right now. It is about competition. It is about having the courage to confront some of the changes in tenure that are necessary.

Some of you have heard me say this as well: at the end of the day we are going to end up with a very different industry but one that I think will serve the people of British Columbia much better. Here is the fundamental shift that I am asking you to make with me and the people of B.C. For decades, if you wanted to be a participant in the forestry sector in British Columbia at a certain level, you were by necessity required to be involved in two things: the harvesting of timber and the processing of timber. We are going to sever that link. We are going to give participants, stakeholders, licensees, companies and individuals the choice. They can still do both those things, but they won't have to. They can be involved in one feature or the other. That is a dramatic shift, but I think it is one that will serve us very well and help revitalize an industry that at the moment is suffering under some very severe challenges.

On an organizational front, we have to restructure the ministry around those functions. There are some changes that people are going to notice as we move forward on this, and there is one example. I point to the small business program, which we have said - and I believe - that we need to put on a sounder commercial basis to make it more competitive. This is a message that I think we have to make sure people understand, because I am still confronted by this observation occasionally as I go around the province. That is: "If only you would give me access to fibre, my value-added business would prosper." What the person is really saying is: "If you would only give me access to fibre at a discounted price, I could do very well." Well, competition isn't about discounted prices, and our position as a government on subsidies to businesses large and small is, I think, well known.

**[10:20]**

I think that in a few moments you are going to see in fairly specific detail what I mean when I say it's time to transfer direct program activities to the largest extent possible to the private sector, and that relates to the FRBC review that has been ongoing. Again, we have to follow through on our pledge to establish an international marketing campaign. By the way, that again is about enhancing our markets, protecting our markets. To be blunt, it's about taking on those people who would, through false campaigns, purport to paint a false picture about what is going on in British Columbia. People in forest communities in this province are sick and tired of being cast as the bad guys, because they do a pretty damn good job. They're talented people, and they employ the latest technology. I do think we have a role as their government to ensure that the world - our markets - understands that fact, so I am strongly advocating that we move forward with that.

How are we going to measure success? Well, in the protection and management of the asset, we do inventories. The amount and quality of our standing timber is a good indication of how we are doing in the protection and management field.

In terms of the competitive industry that we need to attract here, all you have to do is look at return-on-investment statistics, return on capital employed, to know that we have not fared well, particularly over the past decade. If we are going to attract the kind of reinvestment that we need to keep our industry current - to continue to lead in terms of technology, competitiveness, productivity - we are going to have to improve our performance on the return-on-investment side of the equation.

We talk about environmental standards. Certification is increasingly an issue for our stakeholders, and that again relates to our access to the marketplace. To the extent that we can work with industry

to facilitate that certification process, I think that is an objective that we have. For the Crown - in effect, the people who own the resource - I know that a healthier industry translates into healthier revenues. We got the message from Dick, and you will hear it from me. All the good intentions in the world don't amount to a hill of beans if we don't have the revenues necessary to protect our health care system and to protect and enhance our education system. That's what this is about as well.

We can't harbour any illusion that what we have now is serving the province well. We are facing some external challenges in terms of the trade situation with the U.S., but let me assure you - and I think most of you know better than I - that many of these challenges have very little to do with the trade file. They are the results of policy choices that previous governments have made, perhaps with the best of intentions, but they haven't worked. All you have to do is travel to any number of communities in this province to know that's the case.

Like Minister Neufeld, Premier, I am seeking guidance and direction from the government today to move forward at this level on our stated objectives and our core review plan.

**Hon. G. Campbell:** We have a number of new model initiatives and policy directions that have been laid out there. Questions? Greg.

**Hon. G. Halsey-Brandt:** Mike, you talk about competition for a resource that we own. I assume the competition in the past has been through the pulp mills or through the price of 2-by-4s or whatever in the sawmills. How do you envision bringing the competition side into the actual timber resource?

[10:25]

**Hon. M. de Jong:** Well, in a number of ways, Greg. One of the greatest obstacles to participation in the industry itself is the difficulties associated with securing a fibre supply. When we have these tenures - for example, the Crown presently exacts a price for transferring tenures - there's a whole range of ministerial discretions that actually make it very difficult to subdivide tenures, to transfer them, to buy them, to sell them. That's one feature of what we do now that places constraints on that competition - the notion that you would be forced to harvest a certain amount, the fact that you would be forced to process in a certain area. All of that makes access to the fibre more difficult. If you start to lift some of those constraints, then I think that by implication, you begin to create that access and you foster that competition.

**Hon. G. Halsey-Brandt:** Part of the debate, as I understand it, has been that a lot of small companies, for example, can't get access to the fibre, which is mostly controlled by the larger companies. If you wanted to open up competition in there, how do we ensure - because we are the monopoly, if you want to put it that way, as the province - that we in fact get that competition between small and large companies and get more small companies in there bidding on the fibre?

**Hon. M. de Jong:** No, actually, we're not the monopoly; we're the landowner. We own the asset. I think the question that this government needs to settle is whether we are prepared to subsidize, to socially engineer in the way that has happened in the past or to direct where that timber is going to go. Or are we going to be guided by the principles set out here, which are to protect and manage the asset but also to maximize the return through genuine competition? I think you've put your finger on the question. I am suggesting to you that attempts in the past to engineer answers to those questions have not succeeded particularly well.

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

**Hon. G. Campbell:** Gary.

**Hon. G. Collins:** Mike, do you have a time line for some of these changes? I mean, some of the things you've got here as shifts require, obviously, fairly significant regulatory change but also legislative change. Do you have any sort of time line on how long it's going to take to get there and to do it right?

**Hon. M. de Jong:** I'll go through an inventory, if I can. On the timber pricing side, we've set a target for January of the new year to have something in place for implementation. On the regulatory side, reworking the Forest Practices Code to where it genuinely reflects our principles, being results-based, is a tremendously complicated matter. Maybe one shouldn't say this in this position, but I have watched this long enough now from the opposition side to know that with something of this magnitude, if we try to do it, introduce it and pass it, we probably won't get it right.



So I am more drawn to the notion that we would, as we are now, consult with industry and put something together. Then perhaps, Mr. House Leader, we would entertain some thoughts around presenting it, or a White Paper, for discussion and passage sometime thereafter. That's something we haven't discussed. I think it's a piece of legislation that requires that stakeholders have ample opportunity to consider it from an operational and practical point of view.

**Hon. G. Collins:** Two other quick questions. Have you done any modelling yet? We talked some time ago in sort of general terms about revenue impacts of going to this market-based system. Have you done any modelling yet on short-, medium- and long-term impacts - long-run models on what this does to revenues?

**Hon. M. de Jong:** The short answer is no, but let me tell you this. If we were in a true market-based timber-pricing system right now... Right now the market is bad.

**Hon. G. Campbell:** That's a technical term.

**Hon. M. de Jong:** Almost more technical than I meant to be.

[10:30]

**Hon. G. Collins:** We need to talk some more about that, obviously. We should do that in the next little while.

You talked about the international marketing plan. Do we have any idea what the groups who are opposed to British Columbia's industry or tend to line up on the opposite side of the game to industry spend in a year on international and domestic marketing?

**Hon. M. de Jong:** I'm told hundreds of millions of dollars.

**Hon. G. Collins:** Hundreds of millions - that's a big number.

**Hon. M. de Jong:** Big number.

**Hon. G. Campbell:** I have Joyce and then Dick, Graham and Sandy.

Joyce.

**Hon. J. Murray:** Thank you, Premier. I really appreciate hearing the principles, particularly things like getting the best value out of every tree. I think that's very important because that will allow us to have more direct benefit from our harvest use of the trees. I think it will also allow us to do more in the way of protecting the asset. Where the highest value is not a consumption, one will be protecting those areas. I think it's a win-win, in my view.

I have questions about page 21 and page 23. On page 21, "Protect and manage the asset," protect can have both the economic and the environmental meaning of the word. I'm not seeing an indicator that has to do directly with the environment. On page 23 you have an indicator. I think environmental certification is a positive thing, but it's a proxy in a way for environmental protection. I wonder if you had considered having an indicator that directly deals with habitat or biodiversity - maintaining the structure and function of the forest ecosystem.

**Hon. M. de Jong:** I agree, Joyce. That is a critical function, but I do see it as being captured by words like "protect." Forest health, for example. We've got a hell of a situation in the interior with the pine beetle. There is a component there, a responsibility there for government, I think, around forest health and protection. Similarly fires - what we do to protect against wildfire. I think that's an environmental aspect to what we have to do. I think it's important that we understand that it's going to remain an important feature of what the ministry is about. We are protecting the asset from a health and an environmental point of view.

**Hon. R. Neufeld:** Thank you, Mike, for a good presentation. Just a number of questions. The Forest Practices Code. I've been here long enough to watch that whole process take place and realize how huge it is. It's not just a small document; it is a huge document. It affects all other industry. It affects oil and gas; it affects mining. It affects anything you want to do on the land base.

**Hon. G. Campbell:** Agriculture.

**Hon. R. Neufeld:** Agriculture - all of it. Some of it applies to those industries in a very negative way. It doesn't make a lot of sense. I can give you some examples, but I'll do that maybe later.

[10:35]

In the development of a results-based forest practices code... Instead of taking the pile of information that we have, which stands about this high now, and trying to rejig and rework that - I've seen that process happen over the last ten years, and it never seems to get right because you're amending this for that, and it is hugely hard to understand - would it not be better to take some people and say that we want a new results-based forest practices code written? You can use parts of it because there are parts of the Forest Practices Code that are good; we don't want to scrap it all. Then take that and put it out as a White Paper and interchange it. One day - I don't know - you go to the House Leader and say that all of these things are gone. We've been out for a year or however long you go out. This is what takes its place. I don't want to simplify it either, but there are examples around of forest practices codes on private land and those kinds of things - I know they will be a bit different, and I appreciate that - that we could also draw from. Would that not be a quicker way to actually get to a results-based code which will help your industry, which will help the industry I'm fostering and trying to enhance a bit? That's one question.

My second question is on access to fibre, again following the questions before on the small business program. You're talking about changing the small business program. Does that mean those folks who want part of it and who go out and bid on small business programs will now be responsible for everything - such as roadbuilding, replanting and all of those kinds of things? Will that all be encapsulated in the small business program, or are we still going to just have the logger go out and actually log it for some larger corporation and the province be responsible for all those other hard assets? I can say that access to timber in some areas is a bit of a problem. It's not huge and it's not large, but there are producers, in fact, in the Fort Nelson area that would like some access to some poplar in order to harvest some for the type of work they do. There's been no small business sales of that magnitude, and maybe smaller business sales like that would foster competition and bring the bidding up higher for that resource for the province of British Columbia if it were put out in smaller packages rather than huge, large ones.

**Hon. G. Campbell:** Mike.

**Hon. M. de Jong:** Yes and no. Let me expand on that. Dealing with your second question first, there is going to be involvement by small business. I think that involvement is going to be enhanced by virtue of the direction we are moving in here. Circumstances, I think, will be different in different parts of the province, and that is a hallmark of much of what we are doing in government and in the ministry to incorporate an element of flexibility that takes account of those unique local circumstances. I think there will be anxiety. I think people who are involved in a particular realm of business, in particular areas of the economy, like special categories and have, in some cases, operated under the belief that that provides them with some protection. I don't know that it has. I do know that this government, as I've said in the past, is not interested in fostering a regime of protection or subsidies, and this is going to be reflected in where we go.

On the Forest Practices Code. In general terms, the process that you lay out makes sense to me. I can't imagine that we could take something as complex as the Forest Practices Code and turn it into a results-based model and have turned our mind to every single on-the-ground operational, practical aspect of how that will work. So I agree with you. It's going to be important to involve people and give them the opportunity to provide us with the input necessary to say: "Well, hang on. We understand the direction you're going in. We agree with it, but on this feature have you thought about how that will actually work in practice? We think there's a better way to do it."

**Hon. R. Neufeld:** Thank you.

**Hon. G. Campbell:** Graham, followed by Sandy, followed by Lynn.

[10:40]

**Hon. G. Bruce:** Mike, we've come so far in regards to dealing with forestry issues. Years ago, not even very long ago, governments, industry and unions would not ever breathe a word of tenure reform and forestry reform. By lack of that action over the years, we found ourselves put into some pretty difficult circumstances that you as Minister of Forests are now having to face and we as a province are having to live with. There's some huge challenges here. In respect to the appurtenancy as we talk about the link of fibre or timber to mills, when you look through the province today and at the mills that are running and even the ones at this point that aren't - we know how difficult the industry is out there... What kind of number do we think? Is there a tie? Do you have any idea of that right off the top of your head or not, in regard to appurtenancy clauses, or are we pretty much through that?

**Hon. M. de Jong:** No, I think they're still very much a feature of what is out there, although a diminishing feature. The difference, of course, is that through the operation of those clauses, by the time a mill does go down, that operation has pretty much been driven to its knees, and its prospects for recovery are very remote.

**Hon. G. Bruce:** In regards to the volume-based tenure... We've got volume-based tenure, and we've got area-based tenure. I thought I heard you mention that perhaps we might be looking for more in the way of volume-based tenure.

**Hon. M. de Jong:** Area-based.

**Hon. G. Bruce:** I mean area-based tenure. Where do you see us going with that? Would that be a situation where there would be more - we call them TFLs in the lingo - tree farm licences available for smaller...; and a variety of holders throughout the province? What are your thoughts on that?

**Hon. M. de Jong:** I'm not sure it needs to be tied directly to the TFL, but the prospect that you would have more than one licensee operating within an area - and operating cooperatively to increase the AAC within that area - I think makes sense. I mean, you are at least as well acquainted as I am with the debate that has taken place between volume versus area-based. In the case of the former, I think you can legitimately ask: "Where is the incentive to incorporate some of those innovative forest practices that improve the rate of return from the forest?"

**Hon. G. Bruce:** I'm also really happy to hear the word "competition" within the forestry sector. For far too long I guess I've categorized it as big government, big company and big union. There's been kind of this group of three. The changes that we needed to bring about, really bringing in some true competition so that that fibre - the trees, as Joyce was mentioning - can be used in the fullest and best use for the product itself, as reflected through the revenues once it's manufactured, giving us the better rate of return off of that area... I'm really glad to hear that we're going down that road of looking at the competition factor.

I'm not sure how far along you are on that in respect to a true log market. Am I going down the wrong road with you? Would we actually see a real log market, where timber would be for sale so that small, medium and large could actually bid on that timber and gain access without fear of any other type of situation coming around them?

**Hon. M. de Jong:** I think it's a fundamental feature of what we're talking about here. It gets back to that point I made about severing the required link that presently exists between harvesting and processing. That only works if that timber is available for purchase.

Now, I distinguish that from some of the things you may hear south of the border, where the American industry is issuing demands that we auction all of our timber. I don't see us going there, but I think there's a role for auctions, and I think timber will be available by other channels.

**Hon. G. Bruce:** Would we also be looking at the second pass? You know, we get into this allowable annual cut lingo all the time, and the first hit is the revenue, the royalty that's set on the timber on that area, if we're talking area-based. But in respect to the full utilization of that land-base area, there are other crops and other things that can be grown on that timbered area as well. Are we going to be looking at that? Will we be going that road and looking at the big picture of all that can come off of that area-based?

**Hon. M. de Jong:** I think, when you're talking about utilization of the land base, it's in everyone's interest to maximize the return. Mr. Hagen will talk to you about how you do that within a working forest and some of the other land use areas. I think we'd be foolish not to try to maximize the return from the land base. It is commodities; it is also ecotourism. It's a whole host of different things.

**Hon. G. Bruce:** The other thing I'd like just to clear up, which lots of people... I'm not sure if they fully understand what you were talking about earlier on in regards to having to cut when the markets didn't justify the cut. That's part of the social engineering. Do you want to just explain that in a little greater detail?

[10:45]

**Hon. M. de Jong:** We have a system in place now called cut control, and it has been around for some time. At the upper end it sets a maximum allowable cut. I think most people understand that and agree with it, because it speaks to the issue of sustainability. You don't want to overcut your forests because then you won't have any left down the road. But the other part of that is setting a

minimum cut. By virtue of having done that and penalizing companies - because they are penalized pursuant to the legislation for not cutting that minimum required amount - it requires that they be out there harvesting timber at times when there is no market, or a very depressed market, for that timber. That is contrary, I think, to what any of us would do if we were in business.

**Hon. G. Campbell:** Thanks, Mike. Sandy passes. Lynn? Lynn?

**Hon. L. Stephens:** Sorry, I didn't hear you say: "Sandy passes."

**Hon. G. Campbell:** Yes, you did. [Laughter.]

**Hon. L. Stephens:** I did the second time.

Mike, you talked a little bit - and on page 19 of your presentation under "Organizational change" - about the small business program on a more commercial basis. I guess a number of us have talked about the small business program in various ways this morning. I would just like you to talk a little bit about how your organizational change here will assist in further developing the secondary wood remanufacturing industry in the province.

As you know, there have been a number of attempts made over the years to do that, with varying degrees of success. The convoluted bid process that is currently used in the forest sector to try and provide the kind of fibre that those manufacturers need is not working very well. You talked a little bit about that too. I've always thought that perhaps a regional log depot might be a way for those individuals to access the grade, the species and the dimension they require to make their cribs, doorframes, cabinets and all those kinds of things.

In your organizational change, is there any move to look at providing that kind of log market on a regional basis so that individuals like that could just walk into this log market and pull off the shelf whatever logs they require to actually manufacture these kinds of value-added products for either our own domestic consumption or the international trade market?

**Hon. M. de Jong:** Well, it's been tried with varying degrees of success in various parts of the province. I think the short answer is that, first of all, it is a convoluted bid process, and it incorporates a lot of additional features of social engineering that make it something other than a highest bid or a true competitive bid process. Lynn, the best answer I can give to the question at this point is to say that I believe what we are doing here is enhancing access to timber. There is a freer flow of timber here. The government is less involved in directing where that timber is going to go. It is allowing for the transfer of interests or subinterests in licence rights. The timber market grows. That will concern some people as well. But at the end of the day, I think it will serve the interests of value-added businesses that are genuinely adding value.

Again, I get back to this point: if what you are interested in is discount timber, then you're not going to like this very much.

**Hon. L. Stephens:** That's true, because that's exactly what a lot of those particular individuals are looking for. So when you talk about severing the harvesting and the processing functions, that is the mechanism that you believe will make it much easier, although not less expensive, for secondary remanufacturers to acquire the kind of fibre they need for their operations.

**Hon. M. de Jong:** I think the pool of availability will expand.

[10:50]

**Hon. G. Campbell:** Judith. Then we'll move on.

**Hon. J. Reid:** I had a question on page 17, "Policy Change" and "Revitalization of coastal industry". Is there something here that's specific to the coastal industry rather than the forest industry as a whole? What might be specific to the coastal industry that will allow us to move ahead?

**Hon. M. de Jong:** Specific market challenges, Judith, and species. I think that's probably the short answer - and the different features around costs involved in harvesting and the age of the processing infrastructure. I think those are all features that are part of what we need to contend with on the coast.

**Hon. G. Campbell:** I'm going to come to the recommendation in a minute, but just let me say that when we really sit and look at the industry we have today, there's a whole bunch of perverse actions that take place as a result of the administrative, regulatory and legislative framework that we've

imposed on it. We do nothing to actually maximize whatever forest product we have on the land base.

We actually have companies that burn wood on the side of the road because that's what they think is the most economic use. That's wood that could be used by small users. It could be used by people who are specific to the market. It creates an environmental problem, obviously, if there's enough of that going on, and actually, they're burning jobs as they do that. There's a whole series of issues with regard to salvageable wood off the land base. If you sort of change your focus to saying, "How do you make sure that we maximize the benefits of the land base that we're using?" then you get a different result than we've had.

There's another thing, though, that I want to mention with regard to the Forest Practices Code. I think that the Forest Practices Code is a huge, embracing piece of legislation. Part of the results that we have to be looking at - we obviously aren't there today, but as we go through this process - is that watershed protection is going to be an important part of that code. How do you protect the watershed? Frankly, if you don't protect the watershed, you're not going to have a very good forest in the long term. If you don't protect the watershed, you're not going to have the kind of drinking water you want. If you don't protect the watershed, you're not going to have the kind of biodiversity that you expect on the land base.

Part of the challenge as we change to a results-based code is to be really clear about what the results are that we expect from the code. I think that is going to be a challenge. To go back to what Gary's question was initially, that's not a challenge that's going to be met by February of 2002. It's going to take us a significant amount of time to sort through that. I think the industry recognizes that, and environmental and community groups recognize that. What we know about the Forest Practices Code is... I think that every single year and, with the exception of the last session, every single session we've gone through, we've had to have a series of amendments to the code because there wasn't the kind of discussion that should have gone on beforehand.

I, at least, take these shifts to be shifts that are moving towards eliminating some of the perversity that exists in the system. Dan Miller used to call this at one point a Soviet-style system. It's not flexible. It's not responsive to community needs. You know who's paying the price right now. We talk about provincial revenues - right? It's revenues, yes, to support the province and the services people want, but there are thousands of people in the forestry workforce that have paid the price. They're still paying a price. There are thousands of people that are laid off today.

What we have to do is try and revitalize this industry so those people have a sense of confidence over the long term that they will have jobs that will support their families and will create stability in their communities, and the only way to do that is to look comprehensively at the model that we've got. Mike, you've started down the road. Anyone that thinks it will be an easy road has got another think coming, though. These are tough decisions that are going to have big impacts across the board.

Having said that, though, we've been asked to approve of the direction that's articulated in the new model. I am comfortable around the table that we should do that. We should approve, I think, the new policy directions that Mike's highlighted in the paper. We'll also be looking at the measures of success that you've got there, Mike, as you move forward to the implementation plan. If there's no dissent with regard to that, we'll move forward. Thank you, Mike.

The next item on the agenda is the results of the Forest Renewal B.C. review. I just want to tell people that it's now 10:55 a.m. Mike has another issue that he's going to have to go and deal with. Mike.

[10:55]

### [Forest Renewal B.C.](#)

Hon. M. de Jong: Thanks, Premier. Here is something of an operationalization of what we were just discussing - that is, focusing in on our core functions. It is also, however, very much in keeping with a pledge we made in the lead-up to the campaign as a result of information that we received in our days on the opposition side - concerns around how FRBC was operating and the concern that we weren't getting the best return for the literally billions of dollars that have been invested in the last seven years. You will recall that there was a report from the auditor general that was very critical of the lack of planning and where and how some of the funds were being expended. That all gave rise to our very straightforward pledge that we were either going to fix FRBC or going to scrap it. The answer to that question will be provided in the course of the next 15 minutes.

I will provide for you today, very quickly, the review itself, the consultation that took place and some of the input that we got, and I will lay out for you my recommendations for a new delivery model.

Where is FRBC today? It is a Crown corporation employing 100 people - not FTEs, ladies and gentlemen, but people. Let's be mindful of that as well.

We have concerns about delivery costs. We have, to be blunt, big concerns around sustainability. That's not surprising when you've got an operation that is scheduled to spend roughly twice the amount it would be taking in, in revenues. Hundreds of millions of dollars more were budgeted to be spent than would be received in revenues. That's not a recipe for long-term disaster; that's a recipe for immediate disaster.

We went out and talked to people and took their submissions. There were about 400 written submissions, and we met with about 90 organizations. There were concerns around the investment model being inflexible and process-driven and the high delivery costs. In general, what did we hear? In general, we heard: "FRBC has not served the province well, and you should scrap it, except for that one program I'm involved with. Let's just talk about that, because it's special and it's different." As you learn very quickly with these exercises, there is oftentimes a self-interest that emerges during the course of those consultations.

Where are we going to go? Well, we want to streamline the delivery model. It will be government-led in terms of setting out the objectives. I am suggesting that in large measure, it will be industry-delivered. We are going to invest dollars back into the land base - again, consistent with what we said we were going to do in the lead-up and through the campaign. There will be a tight regimen around spending and performance, to be gauged through an independent auditing.

**[11:00]**

What is that new delivery model going to look like? Well, first and foremost, it will adhere to the notion of responsible investment and sustainable investment. We are going to focus on a couple of objectives: land-based investments, research and support for the value-added world. There is going to be a significant reduction - I think you see it on your screen - to the deficit. We are not going to spend more than we can on a sustainable basis. Remember, there were a lot of promises made about FRBC that haven't been followed through on, and there has been a lot of money wasted in the process. It is time that it comes to an end. We are in the fix or scrap... We are going to scrap FRBC. We are going to replace it with a new delivery model of forest investment account. We are going to try and be specific about what our objectives are, be accountable for achieving those objectives and do so in a fiscally responsible way.

What does that new delivery model look like? I will speak to you about that in terms of the relationship to the consolidated revenue fund, in terms of program allocations and objectives and in terms of the delivery agents.

The first thing. Let's talk about the relationship to the consolidated revenue fund. We are going to establish a special account, or I'm suggesting we establish a special account, the forest investment account. We will earmark funding for investments to the provincial forest land base, that asset that we hold on behalf of the people of British Columbia. That money will go where it should go, but where it hasn't always gone in the past.

In terms of the objectives and standards, we as a government are going to set the specific program allocations - that is, the budgets. We are going to set the objectives; and we are going to set the standards that we expect to be achieved via those investments. That will be reviewed annually by government with involvement by the industry, other stakeholders, and audited to ensure that we are meeting those objectives and, as always, to ascertain where we're not and, if we're not and we're doing something wrong, to get on with doing it right. We always tend to think of these audits as being a little bit self-serving to show that we are doing things right. We may discover that we're not doing some things as effectively as we can, and we have to get on with making some changes.

In terms of the delivery agent - and this is important - we will be using different delivery agents for different types of programs. In the research world, for example, we will rely on agencies like the Science Council. In terms of the value-added sector, B.C. Wood will, I believe, have a role. Those involvements will depend on the nature of the program and where in the province they are being delivered.

You will see a graph now. This is a proposal that deals with a budget that is projected for the coming year to be, I believe, in the range of \$134 billion. You see there two things. You see the proposed

allocations, but also - and this is the point I want to emphasize here - you see the extent to which the majority of that funding is going to be delivered via the private sector. We think that, candidly, that is how we are going to maximize the benefits on the ground and reduce the costs associated with the delivery of that programming.

[11:05]

If we think about how that is going to operate at a functional level, I just want you to know that in working with Joyce Murray's ministry and Stan Hagen's Ministry of Sustainable Resource Management, we are going to develop that menu. We are going to develop, on behalf of government, those objectives that we think need to be met with those investments. We are going to involve the forest industry in that process. But when it comes to the actual delivery, we are going to seek some contractual involvement from outside of the ministry. We think we can do that. We think there are some savings to be realized. It will look differently, depending on whether we are dealing with a TFL, a tree farm licence, or a timber supply area, where there are multiple licensees involved. We think we can draw on contract service providers to ensure that coordination takes place and, again, that we maximize the return to the province. This is all related to other aspects of what we had previously discussed as being our core functions and our core objectives, whether it's growing the AAC, whether it's the move towards market-based stumpage. This is all tied into that. It's tied into our notion of streamlined regulation.

At the end of the day I want to leave you with these two messages around these recommendations. This is, first and foremost, a fulfillment of a pledge we made to review FRBC and determine whether or not it provided the best means by which to achieve the objectives that we think are important from a sustainability point of view within the forest sector. We have concluded that it is not the best delivery model, and we are proposing one here that we think will achieve those objectives more cost-effectively and achieve a better rate of return - get better bang for the buck for the communities from which those resources are being drawn. We think there is an accountability model built into this that will allow us to measure our success. Lastly, we've got to live within our means. What we inherited certainly did not achieve even that modest objective. It's in no way sustainable when you're budgeted to spend twice as much money as you're anticipating receiving in revenues.

Premier, in a nutshell that's where the review of FRBC has taken us, and those are the recommendations we have for the government today.

**Hon. G. Campbell:** Okay. Let me just break this down. First, we're going to approve the elimination of the FRBC... Well, the issue is: are we approving the elimination of the FRBC deficit? The establishment of the forests investment account. The forests investment account will come back with objectives and standards. It will be part, I assume, of an ongoing service plan that the ministry will submit and will be subject to review. Fourth, approving the program delivery model that's been outlined. I think those are the four points of the recommendations that come out of this report. Comments? Questions? Geoff.

**Hon. G. Plant:** Mike, a question around what you foresee is the timetable of rolling these things out, if they are to be rolled out as the Premier has just summarized.

**Hon. M. de Jong:** Forest Renewal will cease to exist as at the end of the current fiscal year.

**Hon. G. Campbell:** Graham.

**Hon. G. Bruce:** Mike, the \$134 million. That's still derived by a superstumpage, is it?

**Hon. M. de Jong:** No, we are not committed to the continued collection of superstumpage. That budget figure represents a very important question. There were some facets of what FRBC did that we believe we need to continue doing. We've obviously chosen a different collection model, but that budget figure will be set from year to year. That is the figure that we are proposing we move forward into the next fiscal year, but it is not tied to superstumpage.

**Hon. G. Campbell:** Just to go back, Graham, there is a major effort being undertaken right now to move to a renewed, improved stumpage system for January 1, 2002.

[11:10]

**Hon. G. Bruce:** Okay. Just back on page 13 and the breakdown - enhanced forests. I take it that's \$49 million. Is this a suggested breakdown of what we're going to use? The FRBC or the new...;would use \$134 million?

**Hon. M. de Jong:** It will.

**Hon. G. Bruce:** The enhanced forest. Are we talking forestry prescriptions, spacing, pruning, fertilization?

**Hon. M. de Jong:** That's on-the-ground stuff.

**Hon. G. Bruce:** So each one of these is a different project that would happen somewhere through the province perhaps?

**Hon. M. de Jong:** Yeah. The other point I would emphasize is partly divided up, because the delivery agents we use in each of those areas will be different.

**Hon. G. Campbell:** Okay. Just so we're clear. We will be eliminating the deficit for FRBC. We'll be establishing the forest investment account. Objectives and standards will be set by the government and brought forward in a service plan. The delivery model is approved, and the service plan will be updated annually and will be reviewed by industry and stakeholders - okay?

Thank you very much, Mike.

The next item on the agenda is Sustainable Resource Management. Stan?

### [Strategic Shifts - Ministry of Sustainable Resource Management](#)

**Hon. S. Hagen:** Thank you, Premier. I'm very pleased today to present the core services mandate review of the Ministry of Sustainable Resource Management. I'd like to cover a number of items with my presentation, including identifying the key new-era commitments we have considered in approaching the review; reviewing the public benefit or a new approach; highlighting the principles we will use to ensure sustainable economic development; portraying the business transformation processes we plan to undertake in our key business areas; discussing the issues we consider critical to our success and also the success of my colleagues in forestry, mines, oil and gas, agriculture and aquaculture, etc.; and finally, portraying a picture of the future.

I will start by explaining the mandate of my ministry. This ministry was created to provide leadership on the sustainable economic development of our natural resources by addressing the critical land and water issues that concern British Columbians. Over the last decade we have seen protracted conflicts and delays in decision-making over the planning and management of our land and water resources. We have seen increased public concern over resource management issues, such as the shrinking economic base on the land, and concerns over water shortages and water quality. We have also seen a decrease in the ability of government to manage resources in a balanced fashion in the face of interest group activities. The result has been an erosion of confidence in government's ability to manage natural resources in an integrated manner that sustains economic growth while ensuring environmental protection.

Our mandate is to change that, to provide leadership and sustainable resource management. This has been accomplished by bringing together a number of functions previously spread across several ministries and by streamlining these functions to provide strategic land use planning, integrated land and resource information and effective land and water management.

My ministry has a number of new-era commitments to guide its work. We've addressed them in our mandate review. They include (1) adopting a scientifically based, principled approach to environmental management that ensures sustainability, accountability and responsibility; (2) providing faster approvals and greater access to Crown land - which, as you know, comprises 93 percent of all the land in British Columbia - to protect and create jobs in tourism, mining, farming, ranching, oil and gas production; and (3) eliminating backlogs and delays in Crown land applications.

We are also committed to many other new-era promises and projects, including developing a strategy to conclude provincewide land use plans, making the Land Reserve Commission more regionally responsive, establishing a working forest land base and ensuring that notices of known archaeological sites are registered with the land titles office to give property buyers more information.

**[11:15]**

We believe that sustainable economic development of our natural resources is the key to our economic and environmental future. Achieving our goals is all about providing the balance that creates a vibrant economy while ensuring a healthy environment. This vision is supported by responsible decision-making and by being held accountable for those decisions. This slide



demonstrates how the combination of the ministry's key functions of sustainable land use planning, integrated data and information and sustainable land and water management can contribute to sustainable economic development by increasing benefits, reducing costs and uncertainty and ensuring faster decisions. We believe firmly that these benefits are both economical and environmental in nature. Just as the economy requires certainty and efficient decision-making so, too, does the environment.

To ensure that our work is well grounded, we will be guided by principles of sustainability. These principles are in development, and I expect to review them in detail with cabinet very soon. In short, the principles will consist of four elements.

1. Economic prosperity. We will strengthen the province's capacity to excel in the global economy by increasing access to Crown lands, setting and enforcing better environmental standards and working collaboratively to ensure access to global markets.
2. Ecosystem integrity. We are working with our government partners to develop performance-based standards to ensure that key ecosystem objectives set by the Ministry of Water, Land and Air Protection are secured.
3. Social and community well-being. We will promote community stability by revitalizing our primary industries, by ensuring a diversity of economic opportunities exists on Crown lands and by ensuring long-term economic benefits through sustainable resource management.
4. Governance. We want to build strong partnerships with other government agencies, academia, the private sector and interest groups to share and develop scientific knowledge. We will ensure that consultation and partnerships occur in planned development but not just to meet the needs of special interest groups.

I would further add an important comment to these principles. Clearly, these principles need to respect and include first nations. Effective working relationships with first nations are essential for the management of Crown lands and water.

The following slides deal with our transformation process. We will find a better way to do business in order to stimulate the economy and protect the environment. We have a number of objectives in our land and resource management responsibilities, but a priority is to move to expedited land use planning. The province has been involved in large-scale land and resource management planning since the beginning of the CORE process on Vancouver Island in the early 1990s. Twenty-nine plans were expected to be developed, covering the whole province, and 12 remain unfinished.

We will move to more flexible processes that recognize different needs in different areas of the province. The processes will be more streamlined, with the intent to have meaningful involvement of first nations and the private sector as well as other interest groups. In short, we will first put emphasis on sustainable resource management. Second, we will streamline the planning process and, third, recognize economic and fiscal realities and complete plans in high priority areas.

Of the 12 planning areas yet to be completed, we will finish six plans with the firm time lines established on the slide. We'll use sound social and economic analysis to evaluate plans before decisions are made, and we will seek agreement with established time frames. If agreement is not possible, government will make a decision. We will complete the LRMP by March 31, 2004. Other planning areas will utilize landscape planning as required.

I would like to turn now from looking at how we plan on the land base to how we collect and maintain information about the land base. Clearly, rationalizing and streamlining the integrated land and resource information function of this ministry will be a significant challenge. We currently have multiple standards and technical systems. We have over 138 separate information systems with different data standards and resulting high maintenance costs.

#### **[11:20]**

Right now access by government and stakeholders is difficult. Current systems are focused on the acquisition of data rather than accessibility and information which is not easily kept current. In some cases, more time is spent on finding data than on actually analyzing it. Furthermore, the operation of many databases is not affordable. There are opportunities for significant cost savings to government through developing common standards, integrating information systems and developing public-private partnerships with industry and the federal government. We need to improve government's links with business, starting with a review of progress being made in other jurisdictions such as

Ontario, New Brunswick and Nova Scotia. We have had good initial discussions for shared data services with a consortium of forest companies led by Canfor.

Land-related registries are vital for doing business on Crown land. We currently operate five major registries that record rights the province is granted to Crown land - water, forests, minerals, and oil and gas. We will consolidate these separate registries into one. Currently, the business processes are all different. We will develop common processes and will introduce electronic filing of documents to expedite data entry. Access to information in the registries is uncoordinated and cumbersome. We intend to provide electronic access and integrated information so that all of the rights granted in a particular area of interest can be quickly identified.

The current system is costly and not sustainable. We will reduce some of the regulatory requirements, achieve efficiencies and seek partners to reduce our costs or earn revenue. In the next year we will coordinate common business processes across the ministries and begin developing the systems to enable us to consolidate the registries and implement electronic filing. We will also undertake a deregulation of archaeological permitting. By the end of the fiscal year '04-05 we will have integrated all of the registries, and electronic filing will be operational.

Currently, the government has a large role in collecting, maintaining and distributing information on our natural resources. Some of that information has many uses. Other information is used for isolated purposes. We intend to rationalize government's role, focusing on government's priority, corporate and program needs. As noted earlier, we currently have information residing on multiple systems with different standards. Information is only partially integrated, so it is difficult to analyze the implications of important decisions on the land base.

Our current systems are inefficient, costly and not sustainable. Over the next year we will develop common standards, consolidate existing data into a single warehouse and carry out a pilot project with the forest industry. In 2003 we will formalize the public-private partnerships and build the infrastructure for the new warehouse. We will also work cooperatively to transfer academic functions to universities as well as transferring other data collection functions to industry. By early 2004 the partnership will be operational.

As I said before, after the transfer of activities from several ministries, we currently support 138 computer systems applications. We will reduce and consolidate that number to 20 basic applications. We will limit our activities to systems planning, standard-setting and contract management. Our current approach is not financially sustainable. In the future many of our needs will be met by outsourcing and partnerships. Over the next two years we will develop common corporate standards, consolidate and eliminate applications and develop alternative delivery models such as outsourcing, partnership agreements and other innovative solutions.

Sustainable management and development of Crown land and water is essential to the success of this ministry and the other resource ministries. We know that competing interests make allocation decisions difficult and complex. We also know that separate organizational structures result in inefficiencies. Many developments, such as agriculture or independent power producers, require access to both Crown lands and water. Currently these decisions are not coordinated and have separate application processes, resulting in delays.

The result is that significant revenue potential is lost due to outdated policies and the inability to process applications. Many land tenures and water licences have not kept pace with market realities or administrative costs. Water licensing is particularly slow and inefficient. We will streamline the approval process to ensure that it is user-friendly and generates a fair return to the province.

**[11:25]**

As a result of the problems mentioned on the last slide, there's a backlog of 2,000 water applications, which is now increasing with the surge of applications from independent power producers. We will reduce the backlog by 90 percent in two years.

Currently, there is no integrated planning to expedite decisions. We will develop plans for selected watersheds to achieve balanced decisions and address a number of the conflicts and issues up front. We propose to consolidate the water licensing function with the land tenure operations of the B.C. Assets and Land Corporation to achieve operational efficiencies. We are also proposing a business model linking revenue targets to expense with the objective of covering costs and increasing net revenues to the Crown.

In the next six months we propose transferring water to the B.C. Assets and Land Corporation, developing a SWAT team to deal with critical program objectives such as independent power producers and assisting in developing new pricing structures for a range of water licences in conjunction with the lead from the Ministry of Competition, Science and Enterprise.

By the end of the fiscal year '03-04 our intent is that there will be no backlog, electronic application and approval processes will be operational and the water function will be generating increased net revenue for the Crown.

Clearly, there are number of critical factors that will make these business transformations easier or tougher. To a large extent, addressing these issues will require strong direction from government. We need a flexible human resource strategy to ensure retention of our key staff. Many of the proposals we are putting forward include technological enhancements that require capital investment. Some of that capital might be sourced from the private sector through various forms of public-private partnerships, but I would be remiss if I did not tell you that government will have to carry some of these technology costs.

At its core, government must start thinking differently both at the political and at the bureaucratic levels. We need to adopt structures that better link revenues to expenditures and hold managers accountable for both sides of the ledger. Our core review supports strategies to address spending issues but will also promote achievements in enhancing economic growth and net revenue.

We must also continue to clarify roles and responsibilities. While we consolidated many functions and responsibilities in June, there are areas of uncertainty and functions that require coordination across agencies.

Finally, many legislative and regulatory changes will be necessary, the bulk targeted for the 2003 legislative calendar. They will involve major rewrites of some statutes and significantly amend others. Examples include the Land Act, Water Act, Forest Act, Forest Practices Code of British Columbia Act, Land Surveyors Act, Heritage Conservation Act and various acts related to minerals and energy.

As part of this presentation I'd like to portray a picture of the future, and I believe this is quite attainable by the year 2005. From her office our client accesses the [B.C. government's website](#) and quickly navigates to the [Ministry of Sustainable Resource Management page](#). From here, she accesses a map of the province and zooms in to the area of the province where she is interested in securing a Crown land tenure. She views the current land use plan and determines if her desired land use is allowed. She can also view the current tenures and other rights that have been granted on the identified area and surrounding areas to see if there might be a conflict. She can also gather information on the resources that exist on or under the land in which she has an interest.

Once the client has determined the specific area in which she is interested, she can sketch the location on the computer screen and complete the tenure application. On completing the application, it will be forwarded to the appropriate agency with the fee charged to the client's credit or debit card. As the application is electronically entered to the system, automatic referrals are generated to the appropriate agencies to enable them to determine whether or not the new application creates a conflict. Once the referral process is complete and the responsible agency has addressed any conflicts, a contract for the tenure can be e-mailed to the client for her electronic signature.

[11:30]

In conclusion, I'm determined that with strong leadership and a recognition of the issues put forward today, we can renew investor confidence and public trust in our resource management and help rebuild our provincial economy. Good land use policies will ensure revenue increases from oil and gas, mining, forests, aquaculture, agriculture, tourism and other areas of the economy and at the same time protect our environment and stabilize our communities. Thank you. I'd be pleased to answer any questions you might have.

**Hon. G. Campbell:** Thanks, Stan. As you know, this is a new ministry. It is a ministry, in terms of the core review, where really only government can do this. I've asked Stan to chair a committee of the cabinet which brings together the various land use ministries. It includes Joyce, John van Dongen, Mike de Jong, Dick, and Rick Thorpe. I mentioned earlier that we want to try and coordinate and integrate these services. Too often we've lost a lot of time and a lot of energy, and we frankly haven't got the product we want in terms of sustainable economic activity because we haven't had that coordinated resource. This actually outlines both a shift that's taken by government that we did initially when we were brought into government and also an implementation plan which Stan is

asking for approval for today so we can then move it through the appropriate processes over the next number of months. Questions? Bill.

**Hon. B. Barisoff:** Stan, when you talk about changing the agricultural land reserve and making it more regionally responsible, my question is: would the people appointed to those regional commissions have the ability to make the decisions in those regional areas?

**Hon. S. Hagen:** Bill, I haven't quite got to that point yet. What we're looking at now is the best way to get regional input. There's a couple of ways that could come back to the board. One is the one you suggested, and another one is that one person from that group would be on the actual board itself and would bring that to the board as a recommendation. I haven't quite gotten there yet.

**Hon. B. Barisoff:** My concern is the adage that one shoe doesn't fit all and the fact that...

**Hon. G. Campbell:** That's not the adage, Bill. It's one size doesn't fit all. It has nothing to do with shoes.

**Hon. B. Barisoff:** One size doesn't fit all. What happens in Peace River isn't the same as what happens in the Okanagan Valley. I know that Richard has brought that up a number of times. When we travelled around the province a number of times, we've seen all kinds of different situations. My concern still is that even one person going back to the board would have maybe a biased opinion.

**Hon. G. Campbell:** Can I just mention one thing here? There is a tendency, I think, to move towards the details of this. The direction the minister has been given is to come back with more regionally based decision-making in terms of the agricultural land reserve. That will be brought back to cabinet and to government in terms of what his recommendations are on that. We can get into some of those process issues at that point. The issue today, at least, is: do we agree that we should go to a more regionally based decision-making model for the agricultural land reserve?

The next person I have is Dick, and then Katherine.

**Hon. R. Neufeld:** Thank you, Premier. I agree with that point you just made: should we go to a more regionalized process in the Agricultural Land Commission? I totally agree and support that 100 percent as long as it's regionally based.

Stan, I want to thank you for a great presentation, and I know that your ministry has been hard at work trying to resolve some of these huge issues. I have one question I'll ask you here about set-asides for parks. We're at over 12 percent. I think the province committed to 12 percent. When we finally finish all land use plans that are in place, where do you think we'll be in parks set aside as a percentage of the province, remembering that most industries have told us 12 percent is fine? They can live with it, but we should stay as close to that number as possible.

[11:35]

Hon. S. Hagen: Dick, I know this isn't going to make your day, but I think we're actually almost at 13 percent. It's 12.8 or 12.9 percent. Joyce might be clearer on that number. We're approaching a new way of doing land use planning from a very balanced perspective. Certainly, one of the main drivers is economic development. What I heard as I travelled around the province is that people who live in the resource-based communities of the province are really concerned about the decreasing amount of land that they can actually use to make a living and create economic growth for their communities and for the province. I think there's going to be a movement of the fulcrum on the balance as to how we approach land use planning in the future.

**Hon. G. Campbell:** Thank you.

Katherine.

**Hon. K. Whittred:** Yes, Stan, I wanted to thank you for drawing that picture at the end of your presentation. It certainly presented a visual picture for me of what your ministry is trying to accomplish. It occurred to me, as you were drawing that picture, that earlier we had heard Richard talk about accessing easier permits and getting drillers, for example, into the field much quicker. I just wondered if you could tell me the relationship between your ministry and that kind of permitting process in, for example, Dick's ministry.

**Hon. S. Hagen:** As I understand it, with oil and gas - and Dick can correct me if I'm wrong - companies actually bid on the areas to carry out their drilling?

**Hon. G. Campbell:** That's correct.

**Hon. S. Hagen:** So I think you have control over speeding up the process. If there are areas on Crown land, for instance, that will affect me, our objective is to speed up that process. I recently met with the Muskwa-Kechika Advisory Board, which actually does some approvals in the area that they're responsible for. I've given them the challenge of moving that process up - not reducing the amount of public consultation, but just speeding up the process.

**Hon. G. Campbell:** I think, Katherine, that one of the things Stan mentioned that is critical is that, instead of having five or six different registries spread out through five or six different ministries which may or may not talk to one another and which may or may not be coordinated, this provides... If you look back at Dick's thing, there's a shrinkage taking place in the amount of what he calls geoscience. Providing that registry and that comprehensive resource allows people to plug into the resource and know whether or not there's something going on in the neck of the woods that they're interested in, from Dick's perspective, and whether they want to apply or don't want to apply, etc. There is a huge duplication and fragmentation of services right now that Stan's trying to pull together in his ministry.

John?

**Hon. J. van Dongen:** Just a couple of things. Stan, I hope you're successful, because if you are, you'll solve a lot of my problems.

**Hon. G. Campbell:** Funny, that's the same thing Joyce said to him. [Laughter.]

**Hon. J. van Dongen:** That's why he's going to be a genius when he's done here.

**Hon. S. Hagen:** I'm already a genius. [Laughter.]

**Hon. J. van Dongen:** Just two issues. The agricultural land reserve: it's a new-era commitment that we have a system that is more regionally sensitive, but from agriculture's point of view we want to be clear that the agricultural land reserve will be stable and that there will be a provincial mandate for it. If we don't have a stable land base, the cost to agriculture will increase. We'll also be looking at more difficulty in terms of conflicts within the agricultural land reserve. I just wanted to make that comment and invite your comment on that.

**Hon. S. Hagen:** I understand that. That's why I wasn't prepared to go any further on the discussion. It's very important that we do preserve the farmland that we have. I think it's also important to look at areas that are under the reserve that maybe aren't good farmlands.

**Hon. J. van Dongen:** Okay. The other issue is water allocation, particularly slides 12 and 14. Water is a critical resource. As you indicated, there's more competition for the use of that resource from fish, power production and agriculture. I believe there's lots of opportunity there for better utilization of the resource. I think everybody has some responsibility for that.

[11:40]

I think that your comment on page 14 about an innovative mind set is going to be critical in terms of getting maximum value for water and doing it in a sustainable way. That probably applies to a lot of the other issues that you're working on: having that innovative mindset to provide and develop better solutions and better uses of the resource.

**Hon. S. Hagen:** When I talk to my senior staff, we talk about thinking outside the box. The other thing I wanted to say is that with regard to the application processes, there has been almost a paralysis in this area. That's why I want to make the change to where we deliver it. The B.C. Assets and Land Corporation really does operate more like a business, and so I think it's really important to consolidate those two functions.

**Hon. J. van Dongen:** Good. Thanks.

**Hon. G. Campbell:** Thanks, John, and thanks, Stan.

We're approving the directions that Stan's outlined as well as the implementation plan that you've laid before us. Good luck, Stan, as you move forward.

The second-to-last item on the agenda is the Minister of Agriculture, Food and Fisheries. John.

## Strategic Shifts - Ministry of Agriculture, Food and Fisheries

**Hon. J. van Dongen:** Thank you, Premier. I'm pleased to present today the core review of the Ministry of Agriculture, Food and Fish. I can't dazzle you with some of the Crown resource revenues that Richard raised today, but we do have a great industry. It's an industry that operates all over British Columbia. It's particularly important in rural British Columbia and in coastal communities. The industry generates over \$7 billion in sales when you include farm gate, fish on the dock and food processing. It involves 60,000 direct jobs and a lot of indirect jobs. I think it's particularly important to consider that it provides jobs on a very steady basis in rural and coastal communities, including first nations. There's a growing interest by first nations in things like aquaculture. The industry is also very, very diverse. We deal with 200 different commodities, all with some unique challenges, some unique environmental issues, some unique trade issues, etc. We are recognized the world over for our quality food products.

With that introduction, I just want to get into our core functions. First of all, we have a responsibility for food safety and quality. This includes fish, animal and plant health issues. The whole area of food safety is certainly an area of renewed public interest. We have a core function involving environmental sustainability and resource development. In that area we work together with other ministries such as Joyce's ministry and Stan's ministry. We have a whole core area dealing with risk management. This involves programs like crop insurance, income stabilization and marketing boards.

We have a role in industry competitiveness. This involves mainly our plant and animal industry branch that helps work with the industry to make them more competitive. Finally, we have a fisheries management unit. That's a fairly small unit that involves about 40 staff and is involved mainly in licensing and monitoring of aquaculture and to some degree the commercial fishing sector, particularly at the processing level.

Going to our budget, we have a total budget of \$81.8 million. There are some small revenues and recoveries of \$1 million and \$2.2 million. This year the ministry is also securing the equivalent of \$68.8 million of matching federal money that goes to our farmers, mainly by way of shared responsibility for crop insurance and income stabilization. Agriculture is one of two issues - the other one is immigration - where there is a clear constitutional shared mandate with the federal government. The ministry administers 43 statutes and employs 392 people throughout the province.

**[11:45]**

Just to give you a more detailed sense of the scale of the industry, farm-gate sales are about \$2 billion. About half of that comes from the marketing board commodities, and the other half comes from the whole range of other commodities. The landed value of fisheries and the marine recreational fisheries is about \$1 billion. The marine rec fishery is mainly a federal responsibility, but our people expect us to advocate for them on their behalf on those issues. Food processing sales are \$4.8 billion. That's after some significant declines in the last ten years in terms of plants that we've had in British Columbia. Exports and interprovincial sales are almost half of the total sales at \$3.6 billion. Jobs basically break down: primary jobs and agriculture, \$29,000; food processing jobs, about \$24,000 - \$60,000 in total, as I indicated.

I took a look at a new proposed vision for the industry in starting the core review process. What I came up with is a competitive and profitable industry providing safe, high-quality food for consumers and export markets.

This was very deliberate. You won't see a mention in this vision of environmental sustainability per se. We have assumed that that will be there. That is certainly a mainstream view within society that we have to be environmentally sustainable. Certainly, farmers and ranchers are stewards of the land. In many cases they know more about their local ecosystem than some of their urban cousins. So we're certainly committed to environmental sustainability, but we want to ensure that farmers, fishermen, fish farmers and shellfish growers can make a living at their industry and be profitable.

Taking a look at the challenges ahead of us, certainly we're in a global environment where a lot of provinces and countries, particularly the United States and the EEC, still subsidize their industries very heavily. We're also in a global environment of ongoing trade actions. Some of them are not very well founded, but they happen anyway.

Second, we have an expectation, and we have a historical culture within the industry, that says that farmers and fishermen should have the same programs they have in other provinces and other

countries. Again, that's something we need to address, but in these industries change comes a little slower than in other industries.

Third, we have some new public awareness in terms of concerns about food safety, quality and affordability. Those are all objectives that the public has, that we have to try and meet.

Fourth, as I just discussed with Stan, a lot of agriculture operates on private lands. In that respect it's different than some of the other resource ministries. But we do deal with fish, obviously a common property resource. We do have some parts of our industry on Crown land, such as aquaculture and the cattle industry, and on the foreshore we have shellfish operations. So we do deal with some of the additional dimensions of common property resources.

Finally, weather and market risks are always there. Weather can be a significant challenge even with the degree of controls that we do have. Market risks - when markets go sideways in agriculture, as they did a few years ago for the hog industry, for example, they can be very, very significant shifts.

Now, in preparing a sector for change, the first direction that we need to go is with respect to the business climate within the province. In that respect, we're no different than many other resource industries and many other industries generally. Certainly, page 10 of our New Era document sets out a lot of the issues we need to address to improve profitability and improve the viability of agriculture, fishing and aquaculture.

**[11:50]**

Secondly, we need to press for freer trade agreements, and in particular rules-based trade, which we've seen some lack of, particularly in recent months. This is generally a federal responsibility, but as we have in the forest industry, we as a province have some particular interest, because of our diversity of commodities, in being very active with the federal government on these trade issues.

Third, we want to move the industry to greater self-reliance. I talked about that a little bit - the difficulty of change in these sectors, but one that I am familiar with - and I know that we can make that happen.

Fourth, we want to work with the federal government to negotiate more favourable federal policies that are more consistent with our provincial objectives, so that we have better harmonization, for example, of our food inspection systems. There are a whole range of areas there that we need to work on.

Now I'm going to talk about how we will change in each of these five core review functions. The first one, of course, is food safety and quality. We want to do some enhancement there and have some increased oversight by the ministry. The public is certainly concerned about food safety issues. Food quality starts on the farm and on the fishboat, if you will. We need to make sure that we have outcome-based regulations, but that we have sufficient oversight to ensure public confidence. It's also a critical issue for trade access.

We also want to have more industry-led quality programs to increase market access. When I use the word "quality" there, I'm talking about standards. We have two examples there. The wine industry needs to go to national-based standards that we're hoping to work with the industry and the federal government to achieve. That's important from a point of view of international trade. Similarly, the organic food sector is a growing part of the sector, but one that is quite difficult to organize on a national basis. There's a hope that we can work towards national standards for organics. Certainly the federal government is also interested in that.

Second, how we will change with respect to environmental sustainability and resource development. Again, as some of the other ministers have mentioned, outcome-based regulations are critical. We need to simplify these regulations. We need to have clear, understandable rules and expectations and good effective mechanisms to enforce them when they're not met.

Third, we want to work with the Ministry of Sustainable Resource Management to ensure sustainable use of our resources but also have that balance in terms of economic interests. I mention the community charter there because it has implications for the ability of farmers and particularly aquaculture to operate within the context of local government and provincial government authorities. The right-to-farm concept - we are working through, for example, in Delta with greenhouses and the local government there. That's going to be an area, I think, of important activity by the ministry.

Fourth, to push to harmonize federal-provincial regulatory processes. Again, there are some significant impediments to these industries, where we have different policies and different objectives. We have a number of situations where our growers and producers are subject to double jeopardy: one set of rules provincially, one set of rules federally. We need to streamline those.

Fifth, how we will change with respect to risk management. We want to phase down the income and stabilization programs, and we want to encourage private sector options for risk management. This is, in part, education in terms of farmers doing a little more risk assessment, risk management and risk strategizing. It is subject to trade agreements. Again, when you get caught with an unfair trade situation as we have in greenhouses right now, your whole industry could get wiped out almost overnight. We're in some risk on that one, although we're making progress.

**[11:55]**

Crop insurance. We think that crop insurance is critical. We think there's good public policy argument to have some support for farmers to deal with weather crises, but we would shift that to a private delivery, and we're doing a full review of marketing boards. Marketing boards, because they represent about half of the industry in gross dollars, do provide a stabilizing influence within the industry. Obviously, there are concerns about quota values and those being a barrier to entry. Marketing boards, and the food industry generally, have become very, very competitive within Canada. Retail prices of those commodities do compare reasonably well with the United States. We're doing a complete review of that, as a result of the Premier's letter.

Fourth is how we will change with respect to industry competitiveness. Consistent with our new-era commitment to eliminate subsidies, we are discontinuing direct grants. We want to maintain a capacity to provide the opportunity for farm and fish commodities to raise funds, to do their own industry development promotion and that kind of thing. We want to shift from personalized advisory services, which really have been pretty much phased out already, to e-information. Our ministry has been pretty progressive at leading on that. Then we want to move the industry to privatized delivery on some of these services. Finally, we want to maintain a capacity to address trade issues and market barriers. Again, as I said with trade, we as the province have a particular interest in working with the federal government on some of our unique commodities.

Fifth is how we will change with respect to fisheries management. We see some particular opportunities in the aquaculture sector, but we have to do that on a sustainable basis. We have to work with the federal government to balance conservation of the fish resource with economic utilization. We also have a mandate from the Premier to revitalize the marine fisheries to increase economic benefits to British Columbia. That will involve further diversification and value-added efforts by our industry. We want to, hopefully, down the road, develop some higher resource rents to the province over time. I think that when we go to a market-based pricing system, as we're discussing for Crown resources - for forestry, for example - we may not generate the dollars that Richard generates, but we can do a little better than what we are doing.

We want to streamline Fisheries Renewal B.C. functions into existing programs. As you know, we made a decision last week to discontinue Fisheries Renewal, but we are continuing the review to the next phase, which is to try and review all of the options in terms of rationalizing the various agencies that are involved in fisheries issues. We have many situations where we have the federal government, through DFO, and a couple of provinces involved, and there's a tremendous amount of overlap, duplication and potential conflict. We want to continue to work on that.

Now I want to talk about our strategic shifts. I've summarized them here. First of all, we want less government. That will result in a more competitive industry. That is an area that we intend to work closely on with some of the other ministries, such as Graham's ministry, Labour. A good example there is the kind of very complex employment standards and regulations we have that are choking industries like the raspberry industry. We want to work with that ministry and work with other ministries to ensure that we have less government and more sensible government, resulting in a more competitive industry. If we're going to say to the industry that they need to be globally competitive, then we have to make them globally competitive on their inputs also.

Freer trade. I've talked about that. Having rules-based trade that is fair and equal, where everybody follows the rules, will stabilize things and will result in a more level playing field for our producers.

**[12:00]**

Increased food safety, which we've talked about, will result in increased public confidence, and it is essential for market access in a lot of our commodities. We don't get to capitalize on international or



global market opportunities if we don't work with the federal government. Canada has some great opportunities there because we have one of the best reputations in terms of our food quality inspection system, but we can't rest on our laurels. We will be working with the federal government to improve that.

Sustainable practices will result in industry expansion. This is an area that we spend a lot of time on in this ministry. We're working with Joyce's ministry. There are many situations where good environmental practice is consistent with good economic results. We need to continue to foster those, and that will allow the industry to expand and flourish.

Finally, provincial leadership and fisheries governance. As we all know, fisheries is a very complex area - as I said, a lot of duplication and overlap. We've made it very clear that we, as a provincial ministry and provincial government, are committed to working with the federal government to really take a serious look at some of the things that we're doing and try to develop better processes and better ways to get things done. Again, the result we will get from that is better value from our fisheries and better value from our land-based enterprises where we interact with fisheries. We've got the interesting situation where we deal with fisheries from a number of different dimensions, but there's good potential there for improved relationships and results.

In summary, I think we have a strong industry, one that is a stabilizing influence in our rural and coastal communities. We have some opportunities, particularly in aquaculture. We have committed to creating conditions to allow that industry to grow. We have some real interest. We have a fish farm, for example, that recently announced they want to invest \$185 million in British Columbia over the next five years, in aquaculture at both the farm level and the processing level.

We have a number of deals and potential deals between first nations and aquaculture. These bands are very anxious to get moving. I was in Prince Rupert on Friday and met with some of them. There are some great opportunities there to deal with some of the unemployment that we see in rural communities and in native bands particularly. We've got some very high unemployment there.

We have the strength of having many different commodities. It makes it a little more difficult to manage, but it does provide diversity, and it does provide market access. We have a good host of products for the international market.

We have a job to do as government, and we have to create the conditions for this industry to continue to grow. Just summarizing, I think one of the main ones is to remove impediments in government-driven costs. I'm talking about things like the horrendous WCB rules. A fish farmer told me the other day that he has quit hiring part-time people, students, during the summer because the amount of training he has to do, driven strictly by WCB, makes it not economically feasible. I've mentioned employment standards. Sensible environmental rules that work for everybody. I've mentioned trade rules. That's going to be a big thrust in our strategic shifts. We'll be working with the federal government to cut out duplication and oppressive regulation. We see the role of the ministry as an advocate, particularly focused on the economic side, so we can take full advantage of the opportunities that are out there in British Columbia.

Thank you, Premier.

**Hon. G. Campbell:** Thanks, John.

We've got questions from Gary and Bill.

**Hon. G. Collins:** Thanks, John. You mentioned on page 4 of your presentation that food processing sales are about \$4.8 billion a year, and you mentioned that's declined over a number of years, that we've lost a lot of the processors. Do you have any idea what the size of that industry was six, eight, ten years ago?

[12:05]

**Hon. J. van Dongen:** Well, I don't have the numbers, and I don't know what the trend in the numbers has been, Gary. Simply said, we have lost a lot of processors. We've lost a lot of capacity. That is one of the areas that we need to focus on, because you can't have a primary industry without having the processing plants. The processing that we hope to rebuild will be more niche-oriented. It will probably be smaller plants. Right now, for example, people don't realize that for at least six months of this past year we didn't have enough plant capacity to handle all the milk produced in British Columbia. Surplus milk went to Saskatoon.

We've really ratcheted down. We've lost a number of plants. We've lost commodities. For example, we lost a Nalley's potato chip plant. We didn't need to lose these plants. Some of them we would have lost, but we lost them because the difference between us and the other provinces got too high. We lost the Dairyland ice cream plant, for example, strictly because of WCB rates between us and Alberta.

There's a need to revitalize that sector, and I think a lot of that will be accomplished by some of the goals we've set for ourselves and some of the decisions we've already made to improve the business climate in British Columbia.

**Hon. G. Collins:** Are there some specific things? You mentioned getting more realistic and outcome-based results through different WCB regulations. Are there other specific things that we can do in government that will help? I know we're probably not going to attract people back after they've picked up and moved, but we could certainly build another industry here, or a different industry. You talked about niche markets. Are there specific things we can do that will help to make that happen? Are there specific things I could do that would make that happen?

**Hon. J. van Dongen:** I think we need to really drive hard on some of the goals that we've set for ourselves in terms of reviewing these government-driven costs. I think there is no single answer to that question, but other provinces - and I'll use Alberta again as an example - have programs that are specifically targeted. They've invested money and people and programs to chase processors. For example, they approached the largest feed company in British Columbia two years ago. They know they're good operators, and they want them to come to Alberta.

I think that step one is to create the business climate to make sure that these businesses know we're interested in having them here. Basically, I always think, too, that you have to make sure you look after the people that are still here and make sure that if they have regulatory problems, we deal with those. If you want to augment that with some further efforts, then that's a decision we would have to collectively make.

**Hon. G. Campbell:** Thanks, John.

Bill.

**Hon. B. Barisoff:** Thank you, Premier.

John, when you talk about discontinuing direct grants, will that have an effect on such programs as NISA or the latest 60-40 split with the federal government that subsidizes farmers in British Columbia?

**Hon. J. van Dongen:** No, we're not talking there about safety net programs; we're talking about direct grants to individual businesses and that kind of thing. The \$24 million you talk about, Bill, was a one-time decision by the federal government that the provinces participated in. That was designed mainly to deal with the problems in the grain industry in Saskatchewan and some of the other more serious national problems that exist in the farming industry.

In our province those dollars are certainly welcome, particularly by the grain industry in the Peace River and the tree fruit industry, as a way to allow farmers to survive this price downturn. The safety net programs are being reviewed. That's crop insurance, NISA and whole-farm. We're working with the federal government to do that. Certainly, as we go down the road, there may be some ratcheting down of those programs, as I indicated.

**Hon. B. Barisoff:** I guess my concern still is when you say the words "direct grants." The one-time federal subsidy program that they put in last year is probably not a one-time, because it's going to happen to the grain farmers or the fruit farmers or somebody elsewhere in Canada. I guess my concern is: by putting that in there, would that preclude looking after that in the future?

[12:10]

**Hon. J. van Dongen:** No. As I said, that's not part of the safety net package. We're not referring to anything within the federal-provincial safety net package. That's under the risk management section. I should say that there is certainly an interest federally that has just started to come to the fore recently in trying to move these programs in a direction that makes the industry more self-reliant. The new dollars that come into that program will be more targeted to food safety and environmental issues.

**Hon. G. Campbell:** Thanks, John.

I've got Graham; then I've got Katherine.

**Hon. G. Bruce:** John, a couple of points here. On the marketing board review, could you just expand a little bit about what's actually happening there?

**Hon. J. van Dongen:** I'm just in the early stages of designing that review. I think you have to look at the whole range of issues there. Should they exist at all? How do you make them better if they should exist? What are the issues in terms of barriers to entry? What are the actual results? There's a whole range of issues there that we need to look at, but we have not finalized that project.

**Hon. G. Bruce:** In respect to new markets or new commodities or the farm industry expanding, it's very large to a lot of communities and to my community. There's been a real thrust now into the wine industry in my community. We've heard a couple of presentations by different agricultural groups at GCCs - the future potential of expansion within the agriculture industry. What's your take on that? How much potential is there in the province in regards to bringing in and developing new crops or new commodities?

**Hon. J. van Dongen:** I think there's tremendous potential. If you compare us to Holland, for example, with a very small land base, and you see the value... I can't remember the numbers, but it's tremendous what they can produce. The growth would not be necessarily so much in additional commodities but within commodities. The wine industry is a good example of where there's been a tremendous industry established since 1985.

You see the wine industry growing in some different directions. In your area the wine industry is very much geared to a local market. That comment will apply to Vancouver Island generally. We're seeing some emphasis on boutique wineries - small local wineries doing a very quality product. Then we see an emphasis where there's a thrust in the wine industry, where they really want to get into the international market and excel at being players in the international market. Also, we see a branching out on a range of fronts in terms of agritourism. The wine industry will also be an agritourism player in the Okanagan. In your area we're seeing a lot of these food festivals that initially attract local people but can, over time, become tourist draws also. We've seen some good activity all over the province, particularly in your area. By that, I mean Vancouver Island.

**Hon. G. Campbell:** Thanks.

Katherine.

**Hon. K. Whittred:** John, in your strategic shifts, your third bullet is about increased food safety and quality. I think you quite rightly pointed out that it is a major concern to the public in these days of bioterrorism, anthrax, hoof-and-mouth disease, and so on. What I would like is for you to expand on your first bullet. I really don't understand exactly how the strategic shift is going to be accomplished. I don't understand your first bullet on page 8.

**Hon. J. van Dongen:** The first bullet you're talking about is on page 8 or on page 13?

**Hon. K. Whittred:** The bullet that talks about increasing food safety is on page 8. It says: "Redirect resources towards increased oversight and risk assessment." I don't understand that statement.

[12:15]

**Hon. J. van Dongen:** First of all, food safety is a joint federal-provincial responsibility, and 85 percent of it is federal, through the Canadian Food Inspection Agency. The other 15 percent is divided between our ministry and the Ministry of Health. I think there's a need to ensure that we are providing sufficient oversight in terms of our portion at the provincial level. That's something we need to work with Colin's ministry on.

When you have the kinds of events we've had, such as foot-and-mouth disease in Europe and mad cow disease, I think it's a wakeup call for all of us. We're saying we certainly need to not lessen resources in that area. There's been a trend within our ministry to reduce the number of dairy inspectors, for example, at the farm level, and we're down to bare bones on that situation. Those are the kinds of things we're looking at.

**Hon. K. Whittred:** Thanks, John.

**Hon. G. Campbell:** Thanks, John. John has some recommendations here to approve these shifts, the changes that he's highlighted on pages 8, 9, 10, 11 and 12. Any comments? Thank you very much, John. Good job. They are approved.

Let me summarize this chunk for you, if I can, for a minute. The ministry we heard from today, Sustainable Resource Management, clearly brings together the concerns we heard at the last open cabinet meeting from Joyce with regard to Water, Land and Air Protection. We also tend to think of forests, energy and mines and agriculture as major economic industries. As I mentioned, I'm bringing them together as a cabinet committee to make sure we're starting to coordinate. We all share the desires that Joyce has for cleaner water, protecting the air quality and improving the quality of the land base as well as the economic initiatives and undertakings that the other ministries have. It is important that we coordinate those activities. I do expect the ministers to be advocates for their industry, if they are advocating for industry. I expect Joyce to be advocating for her position strongly, and we'll try and balance those things off as we move forward to create a public policy thrust.

For forestry, for mining and energy and for agriculture, one of the things I'm going to be asking the ministers is to tell us specifically how they would plan to increase the revenues that are generated from those industries. We as a government obviously think the private sector and competition is a way to do that, but we need to have specific step-by-step suggestions of how we can improve that. If we want the extra billion dollars a year in the government's coffers from energy or another \$500 million in the government's coffers from forestry, we're going to have to know what the challenges are that those industries and those private sector investors face.

We have approved today four separate ministries, four separate sort of strategic shifts that those ministries are making, but we have to keep focused on where we're going overall. That's going to be critical as we move ahead through this exercise. We will be having an open cabinet meeting on November 7. We will hear three or four more ministries come forward on their strategic shifts. All of this is part of where the government hopes to be able to go over the next little while.

I also just want to say that in terms of the targets we set for ourselves, in the implementation stage of this there will be far more direct and explicit targets. That is going to be critical in terms of the development of your service plans, which will be part of the budget for February 19. That's a first shot. I want to say thank you to all the ministers for the work they did in bringing those forward to the cabinet.

Next we have the Solicitor General with a proclamation of Crime Prevention Week.

#### **Proclamation - Crime Prevention Week**

**Hon. R. Coleman:** Thank you, Premier. I'll be brief.

We all know that crime rates affect us all and put stresses on our police and our communities. It follows, therefore, that crime prevention benefits us all. We have an order-in-council before us today to declare November 4 to 10 Crime Prevention Week in British Columbia. It's a chance for everybody to take a step back and look at those thousands of volunteers that actually contribute thousands and thousands of hours to preventing crime in our communities - whether it be community volunteers, auxiliaries, the 70,000 people that are volunteers relative to the Block Parent agencies in this province or our crime prevention agencies, our rape crisis centres. All of those volunteers out there help us prevent crime in British Columbia. We're asking you today to declare November 4 to 10 Crime Prevention Week.

Anybody will shortly be able to visit our website at [www.gov.bc.ca/pssg](http://www.gov.bc.ca/pssg), where you'll be able to access ideas relative to Crime Prevention Week.

**[12:20]**

I would encourage any MLA and any minister to visit those groups that are spending time in their community police offices and thank them during Crime Prevention Week and encourage them to bring more people into the system so we can prevent crime at any level in our province.

**Hon. G. Campbell:** Thanks, Rich. Crime Prevention Week - November 4 to November 10.

I just want to inform you all that we obviously are living in very difficult times. The world has changed dramatically since September 11. Candidly, it's made the task of governing even more difficult than it was before that date.

Today my correspondence branch received an envelope containing a white powder. The Victoria police department is investigating. Two employees in the correspondence branch are currently undergoing medical tests. Regardless of whether this is a true threat or a hoax, it's a cowardly act. It's an act that is totally unacceptable in a civilized society. It's an act that preys on people that are innocent, that are doing their job. The public servants that work on behalf of myself and of all of you are simply carrying out their tasks in the best way they possibly can. It's certainly my hope that whoever propagated this act is prosecuted to the fullest extent of the law possible.

I want to say today that the public servants that we have in British Columbia are doing exceptional work. Obviously, this is something that is incredible to everybody. I think that today we should take a moment to thank those public servants all across North America for the tasks they do, for the work they do in dealing with correspondence - which is the lifeblood of government and of our public institutions - and in delivering our mail. Hopefully, this will move forward, and everyone will be safe and secure. I want everyone to know we're going to do everything we can to make sure that does take place and that people who are working with us on behalf of the people of British Columbia are protected. We will do everything we can to fully prosecute whoever decided to do this act.

With that, we'll close the meeting for today. Thank you for being here.

**The cabinet adjourned at 12:22 p.m.**

[Back to Open Cabinet Index Page](#)