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Back to Basics Back to Black

2012-13 Pre Budget Submission

To the British Columbia Select Standing Committee on Finance and Government Services

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan, advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the *Association of Saskatchewan Taxpayers* and the *Resolution One Association of Alberta* joined forces to create a national taxpayers organization. Today, the CTF has more than 71,000 supporters from coast-to-coast.

The CTF maintains a federal office in Ottawa as well as provincial and regional offices in British Columbia, Alberta, the Prairies, Ontario and Atlantic Canada.
Provincial and regional offices conduct research and advocacy activities specific to their provinces and regions in addition to acting as regional organizers of nationwide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate for the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published four times a year. *Action Updates* on current issues are sent to CTF supporters regularly. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nation-wide.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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INTRODUCTION

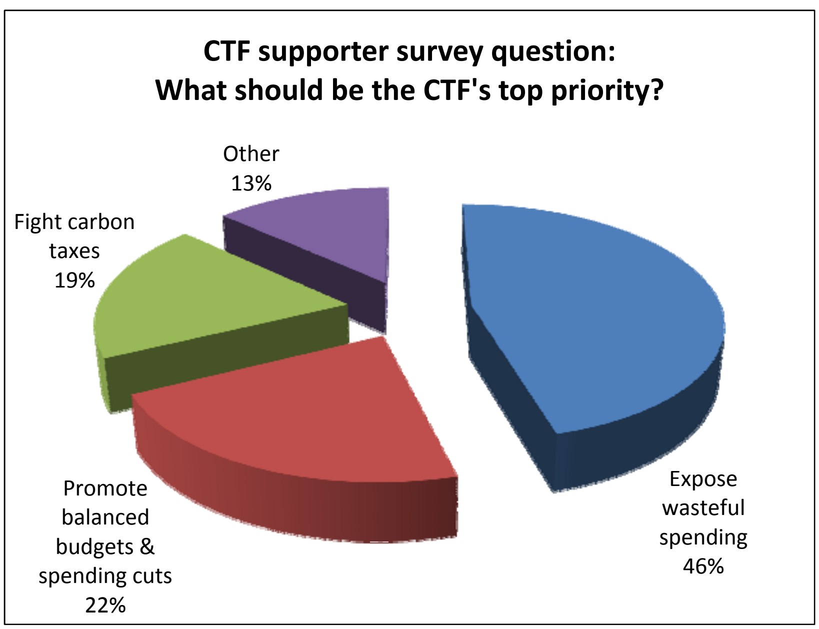
Tough times demand tough choices, and even more importantly, tough leaders.

The loss of the HST, along with the global economic downturn, a lack of discipline in provincial spending and ballooning health care costs, has left B.C. taxpayers drowning in a sea of red ink.

The numbers are just plain ugly: A projected $2.78 billion deficit in 2011-12, another $805 million deficit in 2012-13 and a $458 million deficit in 2013-14, which would violate the government's balanced budget legislation. Government must push hard to reduce the 2012-13 deficit and get B.C. back into surplus in 2013-14. We believe this can, and must, be done.

A budget deficit isn't some paperwork. It's a conscious decision by a generation of elected officials to spend the future generation's money. It means we are taking economic prosperity from our children and grandchildren and using it to meet our own needs. It is the height of selfishness and violates the spirit behind a "Families First" view vision of government. No parent wants to go to the grave and leave a mountain of bills for their children to deal with. Likewise, we owe our kids more than a choking legacy of government debt.

This deficit can be eliminated and not by raising taxes—which is merely the result of a government too lazy or undisciplined to make the tough choices for the province. The message from taxpayers is that the provincial financial house has fallen into disrepair and must be restored using the resources already in place. This deficit is a spending problem, not a revenue problem.



Post-HST British Columbia faces difficult choices. Finance Minister Kevin Falcon's comments at his September 2011 fiscal update were a clarion call that should form the basis of economic policy for years to come: "We are going to have to be even more fiscally prudent over the next couple of years, and that means we will be looking right across government to see how we can try and tighten our belt. I think that's clearly one of the messages that the public sent to us in the HST referendum outcome—that they expect government to manage with less resources."[1]

[1] As quoted in *The Province*, September 9, 2011

To whittle that comment down even further: Taxpayers want government to do more with less. The Canadian Taxpayers Federation can reaffirm that sentiment. In a recent survey of more than 1,700 British Columbians, 68 per cent of respondents told the CTF our top priority should be advocating for balancing the budget through spending cuts.

The Canadian Taxpayers Federation has put together this budget document with those three words in mind, "More with less." We appreciate the opportunity to present our submission and are hopeful that the Select Standing Committee on Finance and Government Services will include our recommendations in their report to the Minister of Finance.

Fortunately, we have a fairly recent template to follow to get British Columbia out of deficit. It takes tough choices and a single-minded commitment to core priorities, but it can be done.

In 2001, the government dug itself out of deficit by reviewing all public sector programs and asking three key questions[2]:

- What is government's business?
- How are we going to do it?
- How can we do it better?

This simple, three-question guide should be the litmus test for everything government does. Do the people of British Columbia have to be in this business? If we do, is the model employed the correct one? And how can we do "more with less," protecting taxpayer interests while delivering better service?

> **"A province with a vital, vibrant economy can afford high-quality public health care and education."**
>
> \- Gary Collins, 2001

As Minister of Finance Gary Collins said in 2001, "A province with a vital, vibrant economy can afford high-quality public health care and education. That's why it's so essential to get our economy back on track."[3]

"With sound fiscal management, clear priorities, and bold, innovative changes, we can sweep aside that sense of hopelessness and despair, and create the sense of optimism and energy that is British Columbia": Minister Collins's words[4] ring as true today as they did a decade ago.

Ten years later, British Columbia has come full circle. Government spending is booming: $41.9 billion in 2011-12, up from $24.3 billion in 2001-02. Taxpayers are nervous. Business owners are reeling from the HST referendum, a minimum wage increase and the new statutory provincial holiday. Families are feeling squeezed by every level of government. Seniors can't help but fret

[2] Hon. Gary Collins, Minister of Finance, *Economic and Fiscal Update*, Speech to the Legislature, July 30, 2001 (http://www.fin.gov.bc.ca/archive/efu/update_speech.htm)
[3] Collins, 2001
[4] Collins, 2001

about their future. An entire generation is looking at shrinking investment portfolios and worrying about their retirement.

Bold, innovative changes are desperately needed in order to get B.C. out of deficit, and back to the economic powerhouse we long to be.

Three years after giving that speech, Minister Collins stood in the Legislature and delivered a balanced budget. “This is the day we turn the corner… When we manage budgets carefully and properly, when we treat taxpayers’ hard-earned dollars with the respect they deserve, we can afford to give our children greater opportunities, to give them a chance to get ahead and stay ahead. Our best is yet to come.”[5]

To get back in black, B.C. must go back to basics.

[5] Hon. Gary Collins, Minister of Finance, Balanced Budget 2004, Speech to the Legislature, February 17, 2004 (http://www.bcbudget.gov.bc.ca/2004/speech/BudgetSpeech.pdf)

KEY RECOMMENDATIONS

Here is a summary of the Canadian Taxpayers Federation's key recommendations, as outlined in this document:

Taxation Reform

- Eliminate the Medical Services Premium tax
- Do not renew the carbon tax legislation
- Simplify the B.C. tax code
- Rein in municipalities and regional districts

Spending Reform

- Cut budgeted spending by 1.1 per cent
- Hold the line on public sector wages and benefits
- Slow the increase in health care spending
- Eliminate the Pacific Carbon Trust
- Convert the B.C. Air Ambulance Service to a not-for-profit model
- Eliminate the Innovative Clean Energy Fund
- Introduce legislation mandating debt reduction
- Fully disclose MLA expenses

Crown Corporation Reform

- Don't back down on the B.C. Hydro review recommendations
- Bring B.C. Ferries' Board and CEO back to reality
- Open ICBC to competition
- Sell all B.C. Liquor Stores

TAXATION REFORM

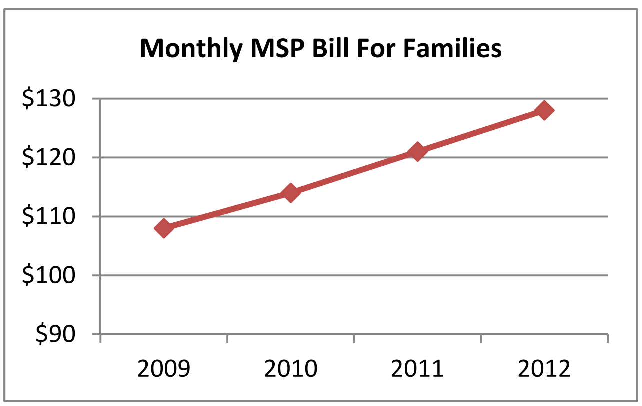
Given the fiscal challenges British Columbia faces to reverse course on the Harmonized Sales Tax and cut spending to balance the budget by 2013, the Canadian Taxpayers Federation recognizes that reducing taxes this year will be very difficult.

However, the Premier's fall 2011 announcement of a broad review of B.C.'s tax structure is a promising step in which we intend to participate. The Canadian Taxpayers Federation has been calling for such a comprehensive review in our pre-budget submissions for many years.

Here are a few of the elements that must be addressed in any review and reform of the tax system in British Columbia: elimination of the MSP, freezing (or dismantling) the carbon tax, simplifying the tax code and addressing municipal and regional government spending.

ELIMINATE THE MEDICAL SERVICES PREMIUM TAX

One provincial tax that seems to continually increase is the monthly Medical Services Plan (MSP) premium. On January 1, 2010, MSP for families with children increased from $108 to $114. On January 1, 2011, they went up again to $121, and are scheduled to increase again on January 1, 2012, to $128. That's an 18.5 per cent increase in two years—a lot of money for a middle-class family, pushing the annual MSP bill up $240 to $1,536.



Of course, MLAs and public servants don't notice this increase as they don't pay MSP—they are paid by taxpayers on their behalf. But rest assured: it is hurting families in British Columbia. More than $1.9 billion was collected last year in MSP. That's money sucked out of the economy at a time when it was needed the most.

Economists like to talk about unintended side effects. One nasty side effect of the 18.5 per cent hike in MSP premiums is the huge hit to the provincial treasury: it's costing a fortune to pay the monthly MSP premiums for MLAs, public servants, health care workers and teachers. Health care and education costs are going through the roof and this is one of the reasons why.

Rather than just re-negotiating with the unions to get them to pay for their own MSP premiums, why not help all B.C. families? Scrap medical services plan premiums completely and get rid of the costly MSP collection bureaucracy in Victoria.

DO NOT RENEW THE CARBON TAX LEGISLATION

With the original carbon tax legislation expiring after the scheduled July 1, 2012, increase, it is a natural time to pause and reflect on whether the tax has been a success. It has certainly been difficult for people living in the interior, north and rural B.C., where there are very few or no options to change their energy consumption habits.

British Columbia was the continent's leader in bringing in a carbon tax, but three years later, no other jurisdiction has followed suit. Further increases would put British Columbia at an even bigger competitive disadvantage with neighbouring provinces and states—a carbon tax is best done in conjunction with other jurisdictions.

While technically neutral for government, carbon taxes are not neutral for families, businesses or people on fixed incomes. Families with active lifestyles pay more to drive and low-income earners pay more to heat their homes. Fuel prices are skyrocketing—B.C. has the highest gasoline taxes in Canada.

Carbon taxes are supposed to lower carbon dioxide emissions, but the experience in Europe shows that almost never happens. European governments have imposed a garden variety of greenhouse gas (GHG) reduction measures since the early 1990s. Nevertheless, GHG emissions went up in Europe by 5 per cent between 1991 and 2005.

What did go down in that same period, though, were manufacturing jobs. Norway, Sweden and UK, for example, saw manufacturing jobs fall by 5.6 per cent, 18.5 per cent and 20 per cent respectively. GHG emissions, on the other hand, increased a whopping 62 per cent in Norway 11.3 per cent in Sweden, and 2 per cent in the UK. A growing economy means higher GHG emissions, but energy taxes, especially those that hurt large manufacturers, kills jobs.

In British Columbia, any carbon emission decreases can be attributed to a slowing economy, not the carbon tax.

The carbon tax should be scrapped or at least frozen until a complete, independent review on its effectiveness is completed.

SIMPLIFY THE B.C. TAX CODE

A tax system should promote economic development and growth to position the province as an attractive venue for investment in a regional, national and international context. It should interfere as little as possible in personal and business decisions that impact investment and economic growth. It should be easy to understand, transparent to the public, simple to apply, encourage public compliance and discourage tax avoidance. Most important, the tax system should generate revenues necessary to cover the cost of essential government programs and services—no more, no less.

In 1998, the *Alberta Tax Review Committee* adopted the CTF's recommendation of a single, low rate with few exemptions for both personal and corporate income taxes and this recommendation was almost entirely implemented.

British Columbia, on the other hand, has a complicated, five-rate marginal tax structure—the most in the country. A simpler, lower and flatter tax system in B.C. will work to further encourage the most productive citizens to stimulate the economy at no cost to taxpayers.

We know from our own experience that even if personal income tax rates fall, income tax revenues can rise. B.C. personal income tax was cut across the board by 25 per cent in 2001 and by another 10 per cent in 2007. Total revenue from personal income tax rose from $5.5 billion in 2001-02 to $6.2 billion in 2011-12, despite the lower rate and slowed global economy. Lower tax rates create strong incentives to work, save and invest. A growing economy, not high marginal tax rates, increases tax revenue.

In the interest of tax competitiveness, it is time for the B.C. government to give the same breaks to individuals and families as it has given to business. To make the transition to a flatter tax system more politically palatable, B.C.'s basic personal exemption (BPE) should rise further. Alberta's basic personal exemption, at $16,977, is almost $6,000 dollars higher than B.C.'s $11,088. Saskatchewan's BPE is now $14,535. The CTF recommends further increasing the BPE to $15,000 coupled with a flattening of the five personal income tax brackets.

REIN IN MUNICIPALITIES AND REGIONAL DISTRICTS

It seems like every time a taxpayer turns around, there is another municipal or regional hand in our pocket, pulling more dollars out. While municipalities like to trumpet that they cannot run deficit budgets, the fact is they simply hike property taxes to match their spending.

The Canadian Federation of Independent Business reports that municipal operating spending across the province grew two times faster than inflation and population growth over the period 2000 to 2008. The Independent Contractors and Businesses Association polled British Columbians in the fall of 2011 and found that 53 per cent of B.C. residents think their municipal taxes are too high and that 86 per cent feel there should be some independent oversight of municipalities to ensure that taxpayer dollars are well spent.

"I support a Municipal Auditor General—some seem to forget that it's taxpayers' money and more scrutiny is welcome and, in fact, even helpful."
- Saanich Mayor Frank Leonard

The government's move to work with municipalities to reduce red tape and pointless regulations should be commended. The creation of a Municipal Auditor General office is a sound, reasonable effort, and should proceed as quickly as possible. Transparency and accountability should be welcomed by all levels of government. This is one provincial budget spending increase we wholeheartedly endorse.

It is clear that British Columbians feel they are paying too much to local government. The province can help by refraining from downloading costs on to municipalities and by carefully considering the ramifications of provincial decisions on a taxpayer's bottom line.

Government should also consider a significant revamp of TransLink, an organization that seems to be growing at an unsustainable rate and incurring massive future liabilities. TransLink took $719.4 million out of taxpayers' pockets in taxes and road tolls in 2010. TransLink has their fingers everywhere: they already get 15 cents per litre in gas tax ($323.2 million annually), property taxes ($271.8 million and going up every year), a BC Hydro levy ($18.6 million), parking taxes ($58.4 million), the Golden Ears Bridge toll ($29.6 million) and AirCare ($19.5 million). Fares generate only $413 million a year.

Yet, TransLink still wants more—this time two cents a litre to fund the Evergreen Line. Then the Lower Mainland's share of the carbon tax. All of this while drivers in Greater Vancouver pay the highest gas taxes in Canada—50 cents per litre.

In 2000, TransLink's total revenue was $525 million. That ballooned to $1.4 billion in 2010, up 161 per cent over that decade. Ridership during that period grew from 129 million to 211 million people, a comparatively small 64 per cent increase. On top of that, TransLink's long term debt has exploded from $599 million in 2000 to $2.2 billion in 2010.

Something isn't right. Do not give TransLink any more tax dollars until the organization's books are properly reviewed. TransLink may be a perfect first task for a Municipal Auditor General to tackle.

SPENDING REFORM

As former UK Prime Minister Tony Blair once said, “The art of leadership is saying no, not saying yes. It is very easy to say yes.” To get back in black, British Columbia’s elected leaders need to say no more often. No to spending increases, no to boutique programs, no to corporate welfare, no to greenwashing initiatives, no to the expensive spending demands of every special interest group, lobbyist or organization with a megaphone.

Taxpayers are counting on the government to say no to increased spending. B.C. cannot continue to live beyond its means.

Using the 2001 roadmap to balanced budgets, all government programs need to be considered through the prism of three important questions:

- What is government’s business?
- How are we going to do it?
- How can we do it better?

The Canadian Taxpayers Federation has identified several provincial programs that require improvement, or should be scrapped altogether.

CUT BUDGETED GOVERNMENT SPENDING BY 1.1 PER CENT

Sometimes the best solutions are the simplest. With a $458 million deficit to make up to balance the budget in 2013-14, cutting budgeted expenditures by 1.1 per cent would put B.C. back in black. A 1.1 per cent cut in budgeted spending would cut the deficit by $467 million in 2012-13, and balance the books in 2013-14.

In fact, this wouldn’t be a spending cut at all, as government would still be increasing spending from 2011-12 levels. This year, government spent $41.9 billion. Following our 1.1 per cent solution, government would still spend $150 million more in 2012-13 than it did this year.

This follows government’s own “net zero” precedent in the latest round of public sector negotiating. Under the net zero mandate, any increases in public sector contracts had to be evened out with a similarly-priced concession.

Cutting budgeted spending by 1.1 per cent may be easier said than done, as it will take a steely political will among ministers and senior bureaucrats to make those cuts within their portfolios.

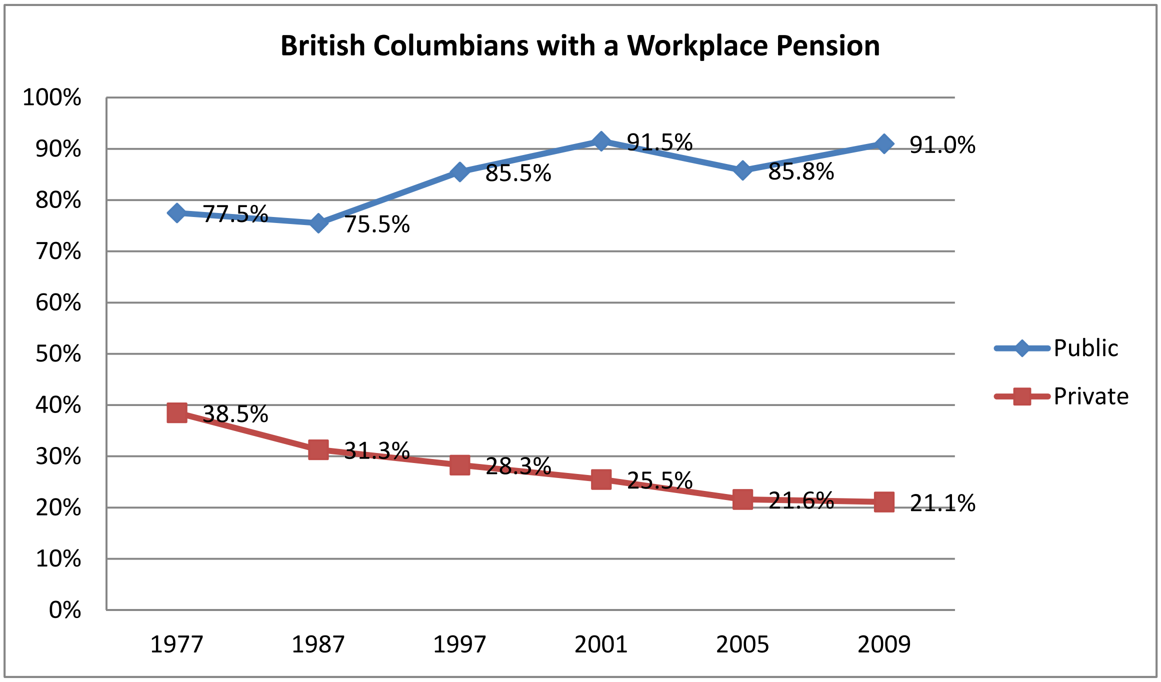
Again, Minister Collins’s test should be top of mind. As programs, agencies and expenditures are reviewed, the question should be asked: does government need to be in that business, and how can government deliver it better?

In this section, you will find some of our recommendations on places to save money within government—items the Canadian Taxpayers Federation believes are either outside of government’s core responsibilities or could be delivered in a cheaper, more effective way.

HOLD THE LINE ON PUBLIC SECTOR WAGES AND BENEFITS

Economies do not grow by asking private sector workers to bear ever-increasing costs of thousands of government workers. The gap between the private and public sector continues to grow at an unsustainable rate.

Earlier this year, the Canadian Taxpayers Federation used *Statistics Canada* data to analyze this wage and pension gap. The average government worker in B.C. earns $1,066.80, while the average private sector worker earns $770.78.



Making matters worse for the average working family is that the percentage of B.C. public sector employees with a workplace pension plan has grown from 77.5 per cent in 1977 to 91 per cent in 2009. Meanwhile, private sector workers with a workplace pension plan have dropped from 38.5 per cent in 1977 to 21.1 per cent in 2009.

The style of these public sector pensions is incredibly expensive. While 87 per cent of B.C. public sector employees with pensions have defined benefit plans (up from 77.4 per cent in 1977), only 13.3 per cent of private sector employees have them (down from 35.4 per cent in 1977). The private sector knows that these gold-plated pension plans are a huge financial liability, so they have moved away from them. Unfortunately for taxpayers, government has ignored this good sense and wholeheartedly embraced them, leaving future generations with billions of dollars in unfunded liability pension debt.

We are not saying that workers do not deserve fair pensions. But the key word is fairness—why should government employees, who already get paid more than in the private sector, get such massive pension packages paid for by the average working stiff? Government needs to transition to a fairer pension model, where contributions are matched by the employer, dollar for dollar and the liability is funded at the front end.

The Canadian Taxpayer Federation recommends that public sector wage rates be re-examined, and that all benefits be included in the overall costing of these employees, and compared to the private sector.

MLAs should lead by example by reducing their own pension plans to a cheaper, fairer model.

Once upon a time, B.C. political leaders from both parties shared our concerns on MLA pensions. In 1996, at urging of the CTF, the Harcourt government appointed a Citizens' Panel and adopted a recommendation to provide MLAs a matching RRSP-type pension plan whereby taxpayers would contribute a dollar for every dollar contributed by an MLA. In opposition at the time, Gordon Campbell suggested the pension reforms could have been even more stringent.

Sadly, in 2007, that all changed when the Campbell government brought back a gold-plated pension plan for MLAs and allowed sitting and retired members to buy back pension benefits, at a huge taxpayer subsidy, for the period from 1996-2007. The provincial government has refused to release a comprehensive list of the MLAs who bought back their benefits, but the CTF has yet to hear from a single MLA that they didn't.

Now taxpayers are on the hook for more than $4 for every $1 an MLA contributes. Pension payouts routinely top $1 million over a period of 15 years. Barry Penner, government MLA for Chilliwack has announced he will not seek re-election in 2013. The CTF has calculated his starting annual pension at about $89,000, growing by 2 per cent a year to more than $117,000 in year 15. That means Penner will collect almost $1.54 million if he lives 15 years after starting his pension at age 65. Penner has served 17 years as an MLA, including several as a cabinet minister.

To give a sense of the range of pension payouts that will occur, outgoing opposition MLA Michael Sather has never served in cabinet, and on election day, will have completed two terms. At age 65, Sather will receive approximately $28,500, increasing to roughly $37,600 at age 80. That means Sather will collect more than $493,000 by age 80.

This is on top of the 15 months of full severance pay for which every outgoing MLA is eligible.

These pensions and benefits are completely out of line with what the private sector is experiencing. To have any credibility in public sector union negotiations, the B.C. government needs to review and reduce its own pension cash grab.

Further, the B.C. government should act to end the ability of retired MLAs to double-dip on the public's dime. Former Premier Gordon Campbell, as the High Commissioner to the United Kingdom, will receive almost $200,000 from federal taxpayers for his new role, on top of a $100,000 provincial pension. A clawback clause should be included in MLAs' pension plans to deal with this type of double dipping.

SLOW THE INCREASE IN HEALTH CARE SPENDING

As the bills for health care continue to climb and the population continues age, government cannot continue to merely pay lip service to getting costs under control. B.C. cannot afford to go on this way, adding hundreds of millions of dollars in health care spending every budget cycle.

The Ministry of Health Services is projected to see their budget balloon by $447 million this year, along with $280 million more in spending by health authorities and hospital societies. Those increases are more than three-quarters of the budget deficit projected for 2012-13.

It gets even worse in 2013-14, with another $605 million increase budgeted for Health Services, and $440 million more for hospitals and health authorities.

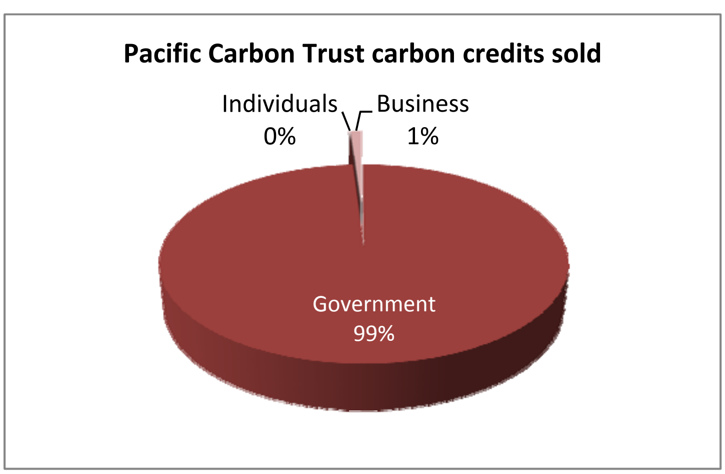
B.C. taxpayers simply cannot afford billion-dollar increases in the health budget. In 2012-13, health spending will eat up 42.1 per cent of the provincial budget; that number was 37.4 per cent seven years ago. During that time, we have seen little or no concrete action on getting health care costs under control. The proof is in the numbers: any efforts that have been made have been inconsequential and have not slowed the budget increases.

The injection of choice into the health system is the first step toward better outcomes and lower costs. A B.C. Hydro-style fiscal review of health authorities is necessary—is the money being spent on health care going to making patients better, or is it getting lost in funding unnecessary bureaucracy, soaring executive pay package and communications programs? Which health authorities are doing the best job managing taxpayer dollars and improving patient care? How can their successes be mimicked in other health authorities? In an era where government must do more with less, health care cannot, and should not, be exempt from scrutiny.

ELIMINATE THE PACIFIC CARBON TRUST

The Pacific Carbon Trust (PCT) is broken beyond repair. It sucks millions of dollars out of taxpayers' pockets every year and deposits them in the wallets of big business, all in the name of carbon neutrality.

It's time to shut the PCT down, and apply the savings to the provincial deficit.



Set up in 2008 and wholly owned by the provincial government, the PCT sells carbon credits to government agencies, businesses, not-for-profits and individuals looking to be carbon neutral. The PCT then takes that money and buys carbon emission offsets from a variety of sources.

It is corporate welfare in the name of carbon neutrality, and it has already cost taxpayers $19.4 million. These costs will climb as the price of carbon credit is legislated to increase from $25 to $30 per tonne in 2012.

Of the 783,816 carbon credits sold by the PCT since 2009, 776,026 came from government and public sector organizations. That's 99 per cent of all the credits sold. A grand total of 11 credits have been bought by individuals for a mere $275. Meanwhile, school districts across B.C. have paid more than $4.4 million for these carbon credits. That's public money taken out of classrooms, and ultimately, taxpayer pockets. The University of British Columbia spent another $1.52 million.

Worse yet, these tax dollars have flowed out the door to big business. According to B.C. Oil and Gas Commission documents, Encana, an energy company with more than a billion dollars in cash flow, received an undisclosed payment from the PCT in return for "reducing and eliminating flaring, incineration and venting in British Columbia." It wasn't just Encana benefitting from tax dollars. Interfor, Canfor, TimberWest, Kruger Products, Sun Peaks, Neucel Pulp, Intrawest and Lafarge have all received PCT money.

Even environmentalists like Mark Jaccard, architect of the B.C. carbon tax and professor of sustainable energy at Simon Fraser University, and Ben Parfitt, resource policy analyst for the Canadian Centre for Policy Alternatives, have been critical of the PCT.

We recommend that the Pacific Carbon Trust be immediately scrapped. In an era of deficit budgets and trying to plug the HST funding gap, the B.C. government needs to focus on core services and maximize the use of every tax dollar. Government carbon neutrality is a frill we cannot afford—and lining the pockets of corporate greenwashers makes no long-term environmental or fiscal sense.

CONVERT THE B.C. AIR AMBULANCE SERVICE TO A NOT-FOR-PROFIT MODEL

The B.C. government has entrenched a bad news scenario for B.C. patients and taxpayers by allowing an outdated, expensive model of providing air ambulance service. We can no longer afford to ignore highly successful, not-for-profit models in Alberta, Saskatchewan, Manitoba, Ontario, Australia and Europe, which provide superior service for a fraction of the cost to taxpayers.

B.C. currently contracts two private companies—Helijet International Inc. and CC Helicopters Ltd.—at an annual cost of about $15 million to operate four dedicated helicopter air ambulances. These helicopters assist injured and ill people in emergency situations, flying them from accident scenes or between health care facilities.

Meanwhile, in Alberta, the Shock Trauma Air Rescue Society (better known as STARS), has five helicopters, with two new ones on the way. STARS' cost to Alberta taxpayers last year: $6 million. STARS raises three-and-a-half times that amount in non-tax sources, such as a lottery, fundraising events and corporate sponsorships.

STARS is so good that Saskatchewan and Manitoba are scrapping their for-profit air ambulance contracts and joining Alberta in a western Canadian initiative. B.C. is the lone holdout, sticking with the more expensive for-profit model.

Not only is STARS cheaper, it seems to offer superior service. Unlike the B.C. air ambulance helicopters, which are 30-year-old designs retrofitted to carry patients, STARS' air ambulance choppers are state of the art, specifically designed to medevac people.

In B.C., paramedics cannot load or unload a patient from a helicopter while the rotor is turning, which can take as long as three minutes to stop. In Alberta, the STARS copters are designed to keep moving blades at a safe height, allowing immediate patient transfer.

The Alberta helicopters are basically flying intensive care units. They carry a pilot, a co-pilot, a nurse experienced in emergency/ICU care, an advanced life support paramedic and a referral emergency physician trained in pre-hospital care and transport. B.C. air ambulances have pilots and a critical care transport paramedic, but no doctors.

The two new Alberta helicopters will be able to carry two patients at once—a godsend for multiple victim accidents.

"Three years ago you flew me, today I'm sitting here raising money for STARS. I am proud to call myself a STARS volunteer."
- Danielle Husak, Alberta resident

STARS also has a strong base of volunteers, something a for-profit system like B.C.'s can't attract. In September 2011, STARS dropped five Calgary CEOs in the wilderness with nothing but their cell phones. They were promised a "rescue" when they each raised $100,000. The effort was hugely successful, with the executives raising $1.3 million in non-tax dollars for the charity.

B.C.'s eight year, $104 million contract with Helijet runs through April 1, 2019, with an option to renew for another four years. However, the contract does allow the Province to terminate with six months' notice. We recommend transitioning air ambulance service to the cheaper, better non-profit model. At a cost saving of $9 million annually, B.C. taxpayers could save as much as $72 million over the period of that contract. This makes sense for patients, for government and taxpayers.

ELIMINATE THE INNOVATIVE CLEAN ENERGY FUND

Corporate welfare is a dangerously slippery slope for governments. In 2002, the B.C. Government recognized that fact and eliminated handouts to individual businesses. Unfortunately, government went backwards with the 2007 introduction of the Innovative Clean Energy Fund (ICE).

Since 2008, ICE has spent $72 million in tax dollars on 56 projects. These are quite simply corporate handouts.

One of those companies, Nexterra, provides an interesting example. According to a B.C. government news release, Nexterra received $1.5 million from the ICE fund to help build a $9 million energy plant in New Westminster. What's not in the news release is that Nexterra also received $300,000 from Natural Resources Canada and $345,000 from the National Research Council of Canada for the same project. Nexterra also got $2.7 million from another arm of the federal government, Sustainable Development Technology Canada, in February 2007 for a similar project. Why are so many levels of government spending tax dollars on the same thing?

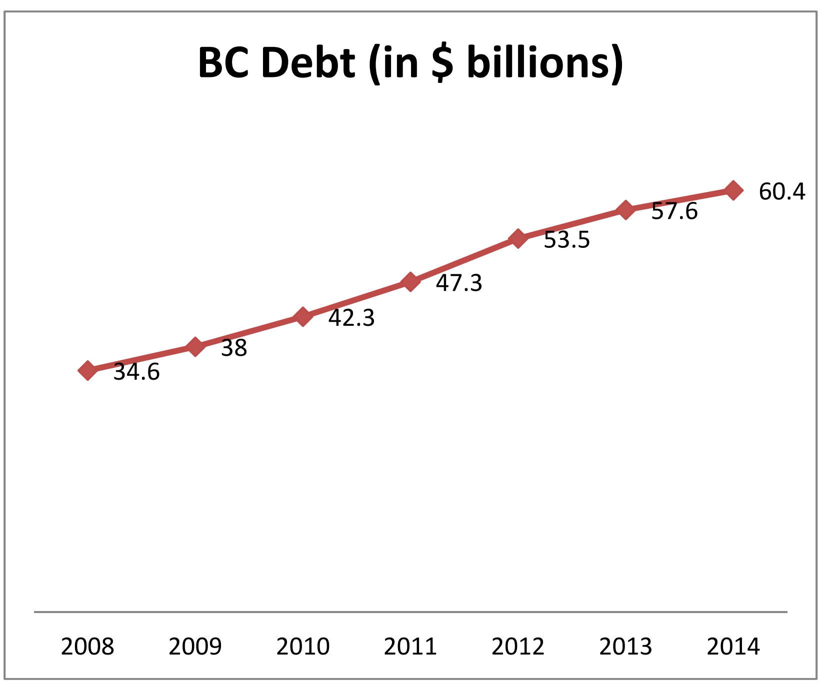
The ICE Fund should be scrapped. Governments have proven that they are a poor replacement for the free market when they try to pick winners, but are an easy mark for those seeking quick cash. Such boutique corporate grants should also be scrapped and their bottom line applied to the deficit.

INTRODUCE LEGISLATION MANDATING DEBT REDUCTION

We owe future generations more than a legacy of debt and high taxes. The first step is to get the budget balanced within two years. The second is to bring in a legislated debt reduction and elimination plan, similar to Alberta.

Alberta's debt servicing costs once consumed 12 per cent of its tax revenues. But after working through their plan, by Budget 2005-06, virtually every penny of Alberta's provincial tax revenues were available for roads, bridges, schools and hospitals. Not so in B.C., where today, 4.6 per cent of provincial tax revenues go to fund the debt, with that number expected to be 5.1 per cent in 2013-14. Instead of going to interest payments, that money could fund hospitals, schools and infrastructure and lessen the burden on taxpayers.

As was learned with the Alberta example, a law is required; vague promises don't work. Debt freedom is achievable, but only if legislation is put in place to oblige the government to follow through. After returning to balanced budgets in 2013-14, the Canadian Taxpayers Federation recommends the B.C. government introduce a law applying 2.5 per cent of own source revenue to the provincial debt annually.



The government should be commended for getting the provincial debt down to $33 billion in 2006. However, lack of a legislated debt elimination plan has meant an increase in the debt, which is now expected to explode to almost $60 billion by

2013. The debt grew by 13 per cent last year and is budgeted to grow by 7.7 per cent this year. That is unacceptable. While B.C.'s triple-A credit rating keeps those borrowing charges relatively low, it is still a cost government should look to eliminate long-term.

Taxpayers in B.C. deserve a firm commitment to debt elimination. With public debt charges at $2.43 billion—or $6.657 million each day—the government must start taking debt repayment seriously. If not reduced, debt charges will increase to almost $8 million per day by 2013-14. That's a lot of money that could be spent on other things—or returned to taxpayers.

FULLY DISCLOSE MLA EXPENSES

Government and opposition MLAs don't agree on much these days, but they seem to be in lockstep when it comes to hiding their expenses from the public. More than 18 months after first promising that MLA expense accounts would be released, taxpayers are still waiting for action.

This reluctance to be transparent contradicts what is happening in democracies around the world. In England, political expense fraud sparked a total revamp of their system. In Nova Scotia, an audit found MLAs billing taxpayers for video games, hi-def TVs and espresso machines. This stopped when expenses began to be posted online. In Toronto, the gold standard for expense accountability, taxpayers can examine their local city councillor's receipts, one-by-one.

> **"A basic tenet of a healthy democracy is open dialogue and transparency."**
>
> \- Peter Fenn

But B.C. taxpayers are still waiting for their MLAs to follow suit—despite a spring 2010 promise that action would happen before that fall. MLAs continue to hide behind an all-party Legislative Assembly Management Committee, and nothing has been released.

It doesn't have to be complicated: simply post spreadsheets on MLA websites showing how much MLAs spend on staff salaries, office furniture, supplies, advertising, cell phones, meals and other items. Secondly, change legislation so that taxpayers can FOIP copies of expense receipts – or better, put the receipts online as well.

For every tiny step toward transparency, B.C. taxpayers seem to run into a brick wall. Just look at the provincial government's new open data website. Yes, it does technically include monthly travel costs for ministers, if you click through enough links. For example, you can see that Premier Christy Clark spent $2,571 in travel in June 2011, bringing her year-to-date total to $5,060.54. However, that line item is all that is reported—not how it was spent, where she went, where she stayed or ate, or with whom she spoke.

A lot of taxpayer money is at stake here. On top of their salaries, MLAs can claim $19,000 per year for living expenses, $11,580 in in-constituency travel costs, plus $61 a day for meals. Add in an annual constituency office allowance of $119,000 (in addition to office space leases) and a generous travel policy that is charged back to the Province, and we see just how much taxpayer cash our elected officials are entrusted with.

CROWN CORPORATION REFORM

It's time to bring crown corporations, and the people running them, back into line with public expectations. Over the past few years, we have seen huge salary and benefit increases paid to executives and thousands of people added to the payrolls of these supposedly public operations. Without significant changes and tough oversight by the provincial government, this will continue—and taxpayers cannot afford that.

The CTF was pleased to hear in the fall 2011 Speech from the Throne that a full review of all Crown Corporations will begin in January 2012—we strongly support this measure and encourage government to proceed as quickly as possible.

DON'T BACK DOWN ON THE B.C. HYDRO REVIEW RECOMMENDATIONS

British Columbians were stunned by the results of the B.C. Hydro review. While asking ratepayers for multiple-year, double-digit increases, B.C. Hydro was adding hundreds of people to their payroll, boosting salaries, pensions and benefits, and giving performance bonuses to 99 per cent of its employees. B.C. Hydro's much-discussed "gold standard" should have nothing to do with its corporate culture and everything to do with value for taxpayers.

> **"It is the panel's opinion that, due to the regulatory environment and the corresponding corporate culture in BC Hydro, 'being the best' and the resulting desire to have the gold standard is not necessarily for lowest cost or greatest value for money."**
>
> \- BC Hydro Review Panel

The absurdity of staffing levels at B.C. Hydro was astounding. A 41 per cent increase in staffing levels over four years is decidedly out-of-touch with what is happening economically in the world. The review panel found enough duplication in areas such as human resources, finance, communications and engineering to reduce employee levels by some 1,000 without having to touch frontline service staff. Astounding.

The $930 million smart meter program should also be reviewed, preferably by B.C.'s Auditor General. Public concern over the program's financial viability and true purpose is growing and it behooves B.C. Hydro and the government to realize that. What controls are in place to ensure this program stays within budget? If time-of-use billing is truly out, how will cost savings be realized? The business plan was predicated on suspected energy theft being eliminated—are those numbers accurate and, if not, conservative?

The CTF recommends that the provincial government continue to press B.C. Hydro's Board of Directors and administration to fully implement the changes outlined in the review. This will serve as a stern warning to other crown corporations to tighten their belts. We also encourage the Auditor General to review B.C. Hydro's smart meter program, which has caused much concern throughout the province.

BRING B.C. FERRIES' BOARD AND CEO BACK TO REALITY

Perhaps no public sector organization has caused as much consternation for taxpayers in recent years as B.C. Ferries. While not a traditional crown corporation, B.C. Ferries does receive a $106 million annual taxpayer subsidy. With this funding should come some pretty clear strings: B.C. Ferries must be made open and accountable to government and ratepayers on its finances, costs, pay structure and other fiscal elements.

The public outcry over B.C. Ferries' million dollar advertising contract with Rogers Arena was an important step and the corporation should be commended for cancelling that promotion.

The next step should be to address executive compensation. With CEO David Hahn's impending retirement, the time is now to change the culture at B.C. Ferries. Million dollar salaries, bloated pensions, over-the-top benefits: these should be reserved for executives who can run a corporation that doesn't rely on a nine-digit taxpayer subsidy.

> **"[B.C. Ferries'] net earnings have fallen, in part because ridership has dwindled in the face of rising tariffs - fares increased 45 to 80 per cent over the past eight years."**
>
> \- Stephen Hume, *Vancouver Sun*

Yet B.C. Ferries' website reports that technical staff, managers and senior executives earned more in bonuses than the corporation reported in net earnings last year. As first reported by Stephen Hume of *The Vancouver Sun*, B.C. Ferries' 2009-10 net earnings were $3.4 million. Bonuses, however, totaled more than $3.9 million.

Almost 300 B.C. Ferries employees got bonuses that for some senior executives amounted to more than half their regular salary. Outgoing President and CEO David Hahn, for example, received a bonus of $292,353, over and above his $500,000 base salary. This, while taking the corporation from a $49.9 million profit in 2006 to a projected $20 million deficit this year. That record defeats the argument that such high salaries are needed to attract "the best of the best." Worse yet, passenger trips have dropped the lowest point in 20 years, while vehicle traffic is at its lowest point in a decade. If this is where the "the best of the best" can lead B.C. Ferries, taxpayers would be willing to take the chance on some cheaper executives.

The gravy boat of B.C. Ferries needs to be reined in by any means necessary.

OPEN ICBC TO COMPETITION

The CTF recommends the government introduce legislative changes to allow competition in the provision of basic auto insurance.

One of the many promises the current government made during the 2001 election was to "introduce greater competition in auto insurance, to create increased choice and reduce motor vehicle premiums." Apart from setting up a new regulator, the British Columbia Utilities Commission, there has been little change to the government auto insurance monopoly. In 2003, Bill 58 was introduced to amend the regulations of the government run Insurance Corporation of British Columbia (ICBC). However, the most important provisions governing competition and ensuring a “level playing field” for private insurance providers, (sections 50 and 51) were never proclaimed into law.

In October 2011, the Fraser Institute released a report on Canadian auto insurance rates. ICBC’s rates are the second-highest in Canada. In fact, the report found that three of the four provinces with the least affordable auto insurance were provinces with government-run monopolies like B.C. Meanwhile, the best rates can be found in five provinces where insurance is handled by a competitive and regulated private sector—Alberta, Newfoundland, Nova Scotia, Prince Edward Island, and New Brunswick. The average auto insurance premium in BC was $1,113, second only to Ontario’s $1,281.

These numbers reinforce a long-standing Canadian Taxpayers Federation recommendation: that ICBC’s basic auto insurance monopoly be ended, and the market be opened to competition.

In light of rising premiums, rising costs, rising executive bonus levels, large profits and falling customer satisfaction levels, it is time to end the ICBC monopoly.

Opening up the auto insurance market to competition will create an environment of greater accountability and no longer leave taxpayers to compensate for managerial mistakes.

SELL ALL B.C. LIQUOR STORES

The CTF recommends the sale of B.C. Liquor Stores.

As of September 2011, B.C. has 197 government liquor stores and more than 1,200 private retailers. Those private retailers account for about 60 per cent of B.C.’s liquor sales. Private-sector involvement in B.C. liquor stores has resulted in new businesses, new jobs, and increased demand for store space, business supplies and services, computers, software, coolers, insurance, telephone and utilities, shipping services, vehicle sales and leases, advertising, security systems, and real estate.

The government must look for cost savings by renewing its commitment to private-sector involvement in B.C. liquor stores.

The Liquor Distribution Branch (LDB) generates about $925 million per year in government revenue. This is generated primarily through a markup on the wholesale price, a hidden tax on all liquor. This tax is charged wherever liquor is sold—government or private retailers. However, it costs $300 million per year to run the LDB and those costs rise every year even though the amount of product sold through the LDB has declined. The government could reduce costs and increase choice for consumers by selling the remaining government retail outlets.