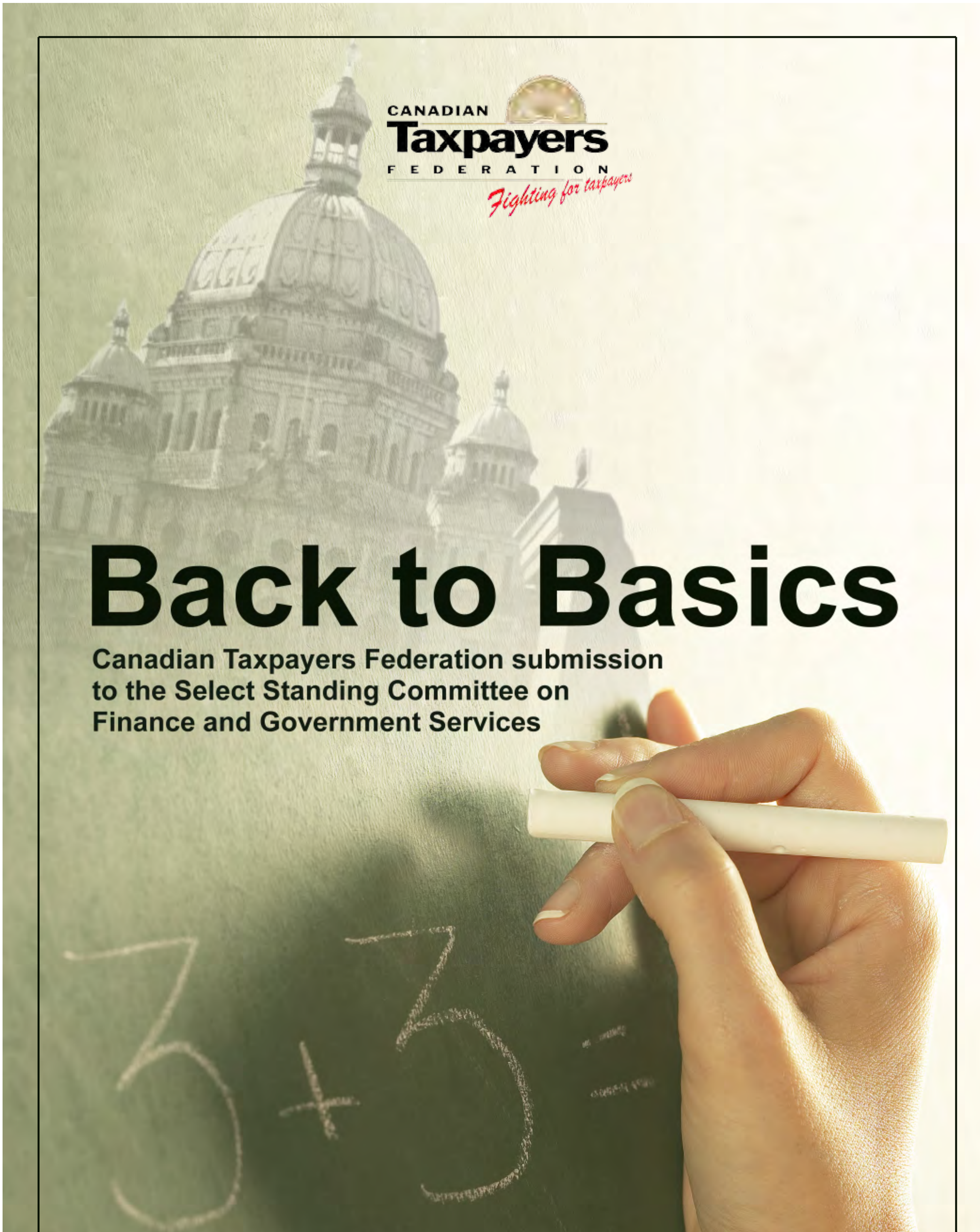
CANADIAN
Taxpayers
FEDERATION
Fighting for taxpayers



Back to Basics

Canadian Taxpayers Federation submission to the Select Standing Committee on Finance and Government Services

Maureen Bader
British Columbia Director, Canadian Taxpayers Federation
P.O. Box 20539 Howe Street RPO Vancouver, B.C. V6Z 2N8
Ph: (604) 608-6770 • e-mail: mbader@taxpayer.com • web: www.taxpayer.com

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 over 68,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and offices in the five provincial capitals of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. In addition, the CTF has a working partnership with Montreal-based Quebec Taxpayers League. Provincial offices and the League conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published six times a year. An issues and action update called *TaxAction* is produced each month. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationally.

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

Canadian Taxpayers Federation

Head Office:
Suite 105, 438 Victoria Avenue East
Regina, Saskatchewan
S4N 0N7

Telephone: 306.352.7199
Facsimile: 306.352.7203
E-mail: canadian@taxpayer.com

BC Office:
PO Box 20549, Howe St. RPO
Vancouver, British Columbia
V6Z 2N8

Telephone: 604.608.6770
Facsimile: 604.608.6773
E-mail: bcdirector@taxpayer.com

Web Site: www.taxpayer.com

TABLE OF CONTENTS

INTRODUCTION

Tax and spend: that is what governments do. If done well, the economy flourishes, standards of living rise, and people become better off. If done poorly, the economy stagnates, standards of living fall, and we become worse off. B.C. is booming because of decisions made in 2001. More recent taxing and spending decisions however, have left us facing a difficult question: will the politics of redistribution take priority over the economics of growth.

The legacy of high government spending in the 1980s, without however, tax revenue, left British Columbia with a debt we are only now beginning to reduce. Today, we have a growing consensus in support of balanced budgets, spending discipline and debt reduction. It is time for politicians to learn to live within the means of taxpayers. Without that, we will be challenged to continue delivering the economic gains we have experienced to-date.

The Canadian Taxpayers Federation's number one priority for Budget 2008 is to legislate a debt reduction plan. B.C. taxpayers currently fund interest payments of $6 million per day to service the debt. B.C.’s large and unanticipated surpluses have opened a window of opportunity to pay off the debt and reduce these interest payments. However, without a commitment to debt reduction, similar to the commitment to balanced budgets, politicians will continue to be distracted by politically motivated spending priorities.

The second most crucial challenge today is to develop a tax system that is predictable, transparent and does not lend itself to manipulation by tax professionals or heavy-handed bureaucrats. Central to this year’s recommendations is a call for a comprehensive public review of corporate and personal income taxes with the aim of streamlining and simplifying the tax code not only to reduce administrative costs but also to enhance compliance and competitiveness.

Government's have yet to come up with a spending program more wasteful than corporate welfare. Although subsidy programs channeling funds to individual *businesses* were eliminated in 2002, today we see funds channeled to *industries* such as tourism and the arts. More significantly, "targeted tax cuts" have replaced direct subsidies as a method of channeling taxpayer's dollars to profit-making companies. The government must eliminate subsidies to businesses in all its forms, not just repackage them.

Reform in a wide variety of sectors will increase consumer choice and reduce government spending. Health and education, the two areas of greatest spending, are in need of greatest reform. Olympic expenditures promise to leave the province with a legacy of debt if spending is not brought under control and VANOC operations made more transparent. Other areas discussed in this submission include a public sector reorganization and provincial crown agency reform.

Today, the government is increasingly sidetracked by politically motivated spending increases, a reliance on debt reduction by accident, and back-door corporate welfare schemes. B.C. is now off the equalization dole and back to "have" province status. The focus on balanced budgets and tax reduction helped to put B.C.'s economy back on that track. A back-to-basics budget will help B.C. continue on its current path of economic growth and development.

KEY RECOMMENDATIONS

- The CTF recommends the government adopt a legislated debt reduction plan applying 2.5% of own source revenue to the provincial debt.
- The CTF recommends the establishment of a public tax review committee to examine corporate and personal income taxes. The CTF supports a shift to a simpler, lower, and flatter income tax system.
- The CTF recommends the Liberal government end corporate welfare by eliminating all subsidies and targeted tax cuts to businesses and industries.
- The CTF recommends reform in the areas of public health and education to ensure patients and students have the right to control their health and education outcomes. For health, the CTF recommends the repeal of section 45 (1) of the Medicare Protection Act that prohibits the purchase and sale of private medical insurance. For education, the introduction of a scholarship certificate for parents to be used to fund their children's education at the school of their choice.
- To make government more accountable and efficient, and reduce competition for labour from the public sector, the CTF recommends the amalgamation and/or elimination of ministries and the transfer of required services into other ministries.
- The CTF recommends striving towards a cleaner, healthier environment by focusing on economic growth, not greenhouse gas reduction.
- The CTF recommends a commitment to no new Olympic funding and reining in projects to reduce the specter of continued cost overruns.
- The CTF recommends the government enact an Olympic transparency plan to track all related and/or trademarked taxpayer Olympic spending in addition to previously committed capital spending.
- The CTF recommends giving consumers choice in a free marketplace through greater competition in the provision of auto insurance, lottery and liquor sales.

DEBT REDUCTION

The CTF recommends the government adopt a legislated debt reduction plan applying 2.5% of own source revenue to the provincial debt. With a legislated debt reduction plan, just like the legislated balanced budget plan, the government will set B.C. on a course to debt freedom.

The Liberal government should be commended for getting B.C.'s debt under control in 2006. However, it must stop its debt reduction by accident and start a program of debt elimination by design. With public debt charges at $2.2 billion this year – or $6-million each day – the Liberal government must start taking debt repayment seriously. B.C.'s large budget surpluses give it a great opportunity to eliminate the legacy of debt we might otherwise leave to our grandchildren.

The total provincial debt has fallen each year since 2004. This is not because of a plan to reduce the debt but because of higher than expected tax revenues, or, in other words, good luck. The Liberal government's lack of commitment to debt reduction means the debt is expected to rise over the next three years. The Liberal government fogs the debt issue by making statements about a downward trend in the taxpayer–supported debt to-GDP-ratio, and paying half the forecasted surplus to debt reduction.

These measures, however, do not imply debt reduction. In fact, the debt is expected to rise over the next three years. A falling debt-to-GDP ratio does not necessarily mean the *debt* is falling. As long as GDP is rising faster than debt, the ratio will fall. Committing half the forecasted surplus to debt reduction leaves the door open to zero debt reduction because the government lowers the forecasted surplus with a forecast allowance. This reduces any amount the government would be obliged to commit to debt reduction. Instead of relying on luck, we must reign in spending and legislate a debt reduction plan.

As shown in the table below, debt started falling in 2004/05. Total B.C. provincial debt fell to $33.35 billion dollars last year because of higher than expected tax revenue and a one time federal transfer. The Liberal government announced that it put $1 billion from the surplus towards the debt in 2006. This only brings the B.C.'s debt back to 2001 levels, at $33.8 billion.

Total Provincial Debt

$ Millions	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Est.	2008/09 Plan	2009/10 Plan
Total provincial debt	37,735	35,839	34,385	33,347	36,837	38,681	39,981

Source: Balanced Budget and Fiscal Plan 2007/08-2009/10, p. 164 and Public Accounts 2006/07 p. 119

Why is debt reduction so important? Alberta’s debt servicing costs once consumed 12% of its tax revenues. By Budget 2005/06, 100% of Alberta’s provincial tax revenues were available for roads, bridges, schools, and hospitals. In B.C., we currently use about 7% of provincial tax revenues to fund the debt, to the tune of about $6 million dollars per day. Instead of going to bondholders, that money could fund hospitals, schools, infrastructure, and lessen the burden to taxpayers. As we have seen with the Alberta example, a legislated debt reduction plan is required to keep the reduction plan on track; vague promises won’t work. Debt freedom is achievable, but only if legislation is put in place to oblige the government to follow through.

TAXATION

The CTF recommends the establishment of a public tax review committee to examine corporate and personal income taxes. The CTF supports a shift to a simpler, lower, and flatter income tax system.

Across the board personal income tax relief shows a commitment to tax reform and tax honesty. However, five tax brackets mean B.C.'s tax system is still unnecessarily confusing and complicated.

In 1998 the Canadian Taxpayers Federation (CTF) presented a submission, ‘Simpler, Lower and Flatter’ to the Alberta Tax Review Committee. The CTF’s sweeping recommendations were grounded in the premise that the ‘the tax system should calculate and collect taxes in the fairest, most efficient way possible for the operation of government. The tax system should not be used as a means to other political or social ends.’ British Columbia would be wise to heed the same advice.

The three key recommendations of that submission included: the calculation of provincial personal income tax as a percentage of income (the existing rates were set as a percentage of federal tax), a generous Basic Personal Exemption (BPE) be set and that a uniform low rate of tax with a minimum of credits be established. Within a year, the CTF’s recommendations were in large part adopted. At the time, Alberta was enjoying an economic boom and the government recognized the opportunity to accelerate growth by overhauling the income tax system.

Alberta’s 10% single rate has been a roaring success. Alberta’s economic growth has continually outpaced every other province and government revenues have shot up to the point that program spending has doubled. But Alberta isn’t the first jurisdiction to reap the benefits of simple tax system. A flat tax revolution is unfolding in Eastern Europe and around the globe.

Crushing tax burdens coupled with complexity have buoyed global tax reform. Reform started in Estonia in 1994 with a flat tax for business and personal income of 26% with no deductions. Estonia’s record economic growth and surging government revenues led their Baltic neighbours to follow suit, with Latvia, Lithuania, Russia, Slovakia, Poland, Hungary, Georgia and the Ukraine adopting their own version of a flat tax system. The idea is gaining credence around the world. The German Chancellor has been warming to the idea and Ireland has made significant reforms to flatten and simplify its tax code.

It is important to note that even though personal income tax rates in B.C. have fallen, revenues from income tax has gone up in each of the past four years. Total revenue from personal income tax is $6.9 billion in 2006/07, up from $5.8 billion in 2005/06. Most of this increase came from higher than expected personal income, in particular among high income earners. Lower tax rates create strong incentives to work and invest. It is a growing economy, not high marginal tax rates, that increases tax revenue.

To make a flatter tax system more politically palatable, B.C.'s personal exemption should rise. Alberta's basic personal exemption, at $14,799, is almost $6,000 dollars higher than BC’s basic personal exemption, at $8,858. The CTF would recommend increasing the basic personal exemption to $15,000.

END CORPORATE WELFARE

The CTF recommends the Liberal government end corporate welfare by eliminating all subsidies and targeted tax cuts to businesses and industries.

Government's have yet to come up with a spending program more wasteful than corporate welfare. Although subsidy programs channeling funds to individual *businesses* were commendably eliminated in 2002, today we see funds channeled to *industries* such as tourism and the arts. More significantly, targeted tax cuts have replaced direct subsidies as a way to channel taxpayers dollars to profit-making businesses. The government must eliminate subsidies to businesses in all its forms, not just repackage them.

Targeted Tax Cuts

Targeted, or boutique tax cuts are wasteful, distortionary, and unfair to the people footing the bill: the taxpayer. Boutique tax cuts can discriminate against economically viable companies, and are difficult and expensive to administer and police. Tax relief increases economic activity, but targeted tax cuts show the government is trying to implement a social engineering agenda. As we have seen often in the past, governments are not good at picking winners, but losers are very good at picking governments. This creates waste, higher taxes and higher debt.

Targeted tax cuts have flourished, with credits to industries ranging from new media, film, digital animation, mining, oil and gas, scientific research and experimental development, venture capitalists, book publishing, and training. Targeted tax cuts stream resources into areas they may not naturally flow to, and for good reasons. For example, the government increased the budget for labour-sponsored venture capital tax credits in 2003 to $25 million. As shown in a recent CD Howe study (Financing Entrepreneurs: Better Canadian Policy for Venture Capital), returns on venture capital labour funds are typically low or negative, and management expense ratios high. Without subsidies, investors - who, unlike taxpayers have a choice - would avoid these funds. Forcing taxpayers to subsidize activities they would not freely spend their money on redistributes wealth to areas of low or negative returns. This makes society worse off.

Other targeted tax cuts include a complicated series of exemptions from the social services tax (PST). They include: machinery and parts; services to maintain and modify software; motor fuel tax exemptions for marine bunker fuel; and marine gas oil used in gas turbine powered commercial vessels. Some have had social services tax cuts. Jet and aviation fuel tax were reduced to two cents per litre, and the permitted use of coloured fuel, which is taxed at a lower rate than regular gasoline, was expanded.

The government also gives tax credits to B.C.'s film industry to promote B.C. as a film production location. Tax credits of between 15-30 per cent are payable on the B.C. labour component of a film company's cost. Enhanced tax credit rates for film and video productions were extended to 2008. The basic Film Incentive B.C. tax credit rate will remain at 30 per cent for productions that begin prior to April 2008 and the basic Production Services Tax Credit will remain at 18 per cent for productions that begin prior to June 2008. During 2007, the province will undertake a review of its tax credit programs and make a decision on whether to continue the tax credits beyond 2008 and, if so, at what rates. The total estimated cost of film and video tax credits in 2007 is $35 million.

Direct Handouts

At least in the case of targeted tax cuts, a company has to generate some revenue and pay some tax. That is not the case with taxpayer-funded subsidies, or effectively, cash handouts to industries.

Tourism

In 2005, the government announced a new provincial tourism strategy to enhance tourism marketing, and promote community and resort development. This included doubling the annual marketing budget for Tourism B.C. to $50 million, providing $25 million to the Union of B.C. Municipalities (UBCM) to create a five-year tourism marketing plan, granting $2 million to each of the six regional tourism marketing organizations; completing an action plan for resort development; and posting new welcome signs at all entrances to the province. Expecting all taxpayers, even those who may not be able to afford to take a holiday within their own province, to fund the promotion of B.C.'s tourism industry in is unfair. Additionally, other industry associations pay for their own marketing, action plans and signs. The tourism industry should be no different.

Arts

For the arts, the Liberal government hands out $3 million annually to the BC Arts Council. It set up a one-time $25-million Arts and Culture Endowment Fund, established a $20-million Spirit of B.C. Fund, and the $12-million ArtsNow program through LegaciesNow to support arts and cultural components leading up to the 2010 Olympic Winter Games. Handouts to art groups create a number of problems. First, the decision regarding which artists are worthy is completely subjective. Favoured artists get subsidies, but subsidies are funded through higher taxes. Artists not given subsidies must now pay higher taxes, making it more difficult for them to make a living from their art. Second, subsidies to artists force taxpayers to pay for art they might not buy voluntarily. If an artist cannot get people to voluntarily pay for their work, then no one should be forced to pay for it through the tax system.

Governments cannot pick winners. Channeling funds into select industries, be it through tax credits or direct subsidies, slows the flow of resources to their most valued use. It also creates the demand from other interest groups for handouts. Government subsidies are destructive to both the industries benefiting from its largess and those that are left behind. Taxpayer funds flowing into selected industries may be wasted, and those left out must compete with companies benefiting from taxpayer largesse. Governments have proven again and again that they cannot pick winners. Boutique tax cuts favour some industries over others and more often than not, for political, rather than economic reasons. Targeted tax cuts and subsidies to business must stop.

HEALTH AND EDUCATION REFORM

The CTF recommends reform in the areas of public health and education to ensure patients and students have the right to control their health and education outcomes. For health, the CTF recommends the repeal of section 45 (1) of the Medicare Protection Act that prohibits the purchase and sale of private medical insurance. For education, the introduction of a scholarship certificate for parents to be used to fund their children's education at the school of their choice.

The injection of choice into the heath and education systems is the first step to better outcomes. By empowering patients and parents with private-sector options, hospitals and schools that provide the most valued service will grow. That would both improve health and education outcomes and lower the cost to taxpayers.

Health and education are the province's biggest spending programs. Health and education accounted for 67% of total government spending in 2006/07. The 6.6% increase in health and education spending in 2006 was due primarily to increases in salaries, operations, and additional staffing. These increases, with continued long wait lists and declining enrollment, point to the need for reform in these two sectors. Without reform, spending will continue to rise and no incentives will exists for improved outcomes.

Health

It is past time for a patient-centered health care system in British Columbia, one that ensures quality, affordability and choice.

The 2005 Supreme Court ruling in the Chaouilli case struck down a Quebec law that prohibited the purchase and sale of private medical insurance. British Columbia has a similar provision in The Medicare Protection Act, which states; “a person must not provide, offer or enter into a contract of insurance with a resident for the payment, reimbursement or indemnification of all or part of the cost of services that would be benefits if performed by a practitioner.” The constitutionality of this prohibition is still unclear, but its limiting impact on patients is very real. Prohibiting the purchase and provision of private medical insurance not only condemns patients to lengthy and potentially fatal wait lists but also unnecessarily undermines patients' freedom and ability to choose.

Given the Supreme Court’s findings, and the failed record of the government monopoly, there is no justification for British Columbia to maintain this prohibition and every reason to repeal it. Opening up the health care system to the private sector is not a panacea. It is a step in the right direction for patient choice, sustainability and improved outcomes.

Education

According to a Statistics Canada report, British Columbia’s adult literacy rates are among the best in Canada. Unfortunately, 33 percent of Canadian high-school graduates are functionally illiterate and 27 percent of Canadian adolescents drop out of high school with no diploma. Additionally, public-opinion polls show that confidence in the system is at a 30-year low. Being the best in a poor system is nothing to cheer about. B.C.'s education system enjoys almost $10 billion per year in taxpayer funding. The system needs a shot of accountability, not more money.

By empowering parents to make the best choice for their children, the school system will become accountable to those it is supposed to serve, the children. (Source: Fraser Institute: The Case for School Choice: September 1999)

What happened to the New Orleans school system in the aftermath of Hurricane Katrina provides an example of how the market provides the educational services people demand. Hurricane Katrina flushed away almost every school in the New Orleans school system. The economist Milton Friedman, a long-time supporter of school vouchers, suggested instead of rebuilding a public system, it should be replaced with a voucher system that would "empower consumers, i.e., the students." By providing parents with vouchers of substantial size, equal in value to three-quarters of per-student government spending on education, Friedman wanted to open the school system up to private schools, both non-profit and for-profit. Parents would then be free to choose the schooling they considered best for their children.

Best of all, it would replace the union-controlled state monopolies that had turned New Orleans' pre-Katrina education system into a vast den of corruption and bankruptcy, with academic results among the worst in the United States.

Two years after the devastating hurricane, New Orleans has a version of Friedman's reform in place. It stops short of a full voucher system, but it allows for charter schools and private operations that compete along side public schools, giving parents some choice. This was possible because of a $488 million allocation announced by President Bush to help families displaced by Katrina place students in private schools. From most reports, the renewal of New Orleans' school system has taken place at a record clip, an amazing success -- some say the only success --on display in the wake of Katrina. A left leaning media network, Democracy Now!, made the point: "While many in New Orleans have waited two years for recovery, the restructuring of its schools seemed to happen overnight."

It happened overnight in part because the concept choice produced results, despite loud opposition from old guard statists and, of course, teachers' unions.

In British Columbia we do not need to wait for a hurricane to flush away the old system. Changing the school funding system, even on a pilot bases in some parts of the province by providing parents with scholarship certificates, would allow parents to choose the educational options they most valued. A revitalized school system would also lighten the heavy burden borne by B.C. taxpayers.

In Canada, school choice has yet to become a movement has in the United States. Public frustration with the education system is high, but a single reform has yet to come forward. B.C.'s education systems will continue to cost taxpayers more while providing students, their families, their future employers and communities with limited outcomes.

PUBLIC SECTOR REORGANIZATION

To make government more accountable and efficient, and reduce competition for labour from the public sector, the CTF recommends the amalgamation and/or elimination of ministries and the transfer of required services into other ministries.

As shown in the tables below, provincial public sector employment in B.C. trended steadily upwards between 1989 and 2005. This contrasts with provincial public sector employment trends in the provinces of Ontario and Alberta. Those provinces cut public sector employment through the 1990s, only to increase it since the beginning of the new millennium. Public sector employment in B.C., as a percentage of total employment, fell to 9.5% in 2006 from 10% in 2005 and the absolute number of employees also fell for the first time in 17 years. This decrease, both in absolute and relative terms, was likely due to people leaving the public sector for private sector opportunities because of the booming B.C. economy, not a concerted effort on the part of the government to achieve efficiencies in the public sector.

What hasn't fallen, however, is the total wage bill for provincial public sector employees. Even though public sector employment dropped by 1.5% in 2006, the total wage bill rose by 7.6%. Although wage rates in many sectors of the economy are increasing to compete for scarce labour, the government should not be competing with the private sector for labour through higher wage rates. People create wealth, governments redistribute it. If the government competes for labour with the private sector, less wealth is generated, wage rates are forced upwards, and the stage is set for lower growth and development in the province in the future.

Number of Provincial Public Sector Employees By Province

Year	ON	AB	BC
1989	447,063	157,995	161,888
1990	461,534	163,565	173,176
1991	471,175	156,935	177,970
1992	464,777	156,768	182,290
1993	455,239	149,322	183,059
1994	440,815	136,432	182,907
1995	431,864	134,944	187,725
1996	403,037	128,573	190,890
1997	404,670	119,774	191,853
1998	399,262	121,830	194,299
1999	400,685	121,512	198,247
2000	406,254	124,986	202,466
2001	409,904	122,428	203,591
2002	410,349	123,791	204,811
2003	433,939	127,085	208,766
2004	454,577	133,073	210,688
2005p	454,331	134,059	211,703
2006p	473,511	144,751	208,440

Source: Statistics Canada, FMS Data
Employment data is averaged for the year and refers to the number of employees, not full-time

equivalents
P Denotes preliminary data

Total Provincial Public Sector Wages and Salaries by Province ($ Million)

Year	ON	AB	BC
1989	13,374	4,199	4,433
1990	14,580	4,405	4,957
1991	16,043	4,277	5,425
1992	16,611	4,342	6,003
1993	16,650	4,270	6,258
1994	16,037	3,949	6,599
1995	15,893	3,612	6,859
1996	15,028	3,637	6,964
1997	15,064	3,739	7,075
1998	15,427	4,004	7,170
1999	16,345	4,257	7,313
2000	17,636	4,660	7,644
2001	17,393	4,943	8,025
2002	17,505	5,088	7,911
2003	21352	5,691	8,596
2004p	22,624	6,404	8,784
2005p	21,988	6,905	8,890
2006p	23,522	7,101	9,563

Source: Statistics Canada, FMS Data
Employment data is averaged for the year and refers to the number of employees, not full-time equivalents
P Denotes preliminary data
http://www.statcan.ca/bsolc/english/bsolc?catno=68-213-X&CHROPG=1

The competition created by the provincial public sector is driven home by a 2007 Business in Vancouver listing of the biggest employers in Metro Vancouver. The top four employers are from the provincial public sector, all funded by all B.C. taxpayers, and the fifth is the City of Vancouver, paid for by Vancouver taxpayers. The amalgamation and elimination of ministries will help unburden the hard working B.C. taxpayer and help reduce the labour shortage burdening private sector profitability.

Ministries to Amalgamate

The amalgamation of the Ministries of Advanced Education and Education would go a long way in creating efficiencies to reduce the wage burden of the public sector to the taxpayer. In light of falling enrollments and low public confidence in the system, these ministries no doubt have many areas in which efficiencies can be found.

The amalgamation of the Ministries of Community Services and Tourism, Sports and the Arts would also create efficiencies in the public sector. The mandate of Community Services is to liaise with local government, and most spending on community recreational services is at the municipal level, so indicators point to the achievement of efficiencies with this amalgamation.

Ministries to Eliminate

Eliminate Labour and Citizen's Services. B.C. has only one set of citizens, and only one set of people to pay for services, the taxpayers. The mandate of Labour and Citizen's services to provide excellent public service, but that should be an integral part of all ministries. We should not need the expense of a separate ministry to achieve high service levels. Oversight for major Boards and Commissions, such as the Labour Relations Board, Worksafe BC, and Alternative Service Delivery could be moved to other ministries or agencies.

Eliminate Aboriginal Relations and Reconciliation. Indians on reserves are a federal responsibility. The federal government already spends $8 billion per year on Indians on reserves. The provincial government spent $43 million on this ministry last year, and we have yet to see an accounting of the $100 million that went into the New Relationship Fund. The treaty process has cost the province $260 million since 1993, but as B.C.’s auditor general concluded in a recent report; “using treaties to resolve who owns, uses, and manages the land and related resources … has proven to be expensive and time consuming for all three parties.” This ministry should be eliminated and the treaty negotiation process should be transferred to the attorney general.

GREEN SPENDING

The CTF recommends striving towards a cleaner, healthier environment by focusing on economic growth, not greenhouse gas reduction.

Climate change is taking place; it always has. Yet we are bombarded by the view that climate change is bad and there is something we can do about it. As a result, no tax-funded cost will be deemed inappropriate. Governments worldwide are spending billions of tax dollars not only on questionable policy objectives of little measurable result but increasingly on alarmist propaganda.

B.C.'s goal is to reduce greenhouse gas emissions by 33% from current levels by 2020. With 95% of B.C.'s energy coming from green-friendly hydroelectric plants, any significant greenhouse gas emission reduction will have to come from transportation, not electricity generation. What we see now is a confused set of policies including taxes on hydro power and possibly another gas tax, subsidies to alternative energy projects, government mega-dams in Northern B.C., and energy self sufficiency. All this points to higher taxes, more waste and less economic growth in the future.

About 40% of B.C.'s GHG emissions come from transportation, so it might seem obvious that by raising taxes to discourage driving, GHG emissions could be reduced. A proposed gasoline tax would be the second tax hike in B.C. designed to pay for GHG reduction subsidies. (The first was the hydro levy.) Already, about 33% of price of gasoline is tax, and people are still driving. Data from the Canadian Taxpayers Federation's 2007 Gas Tax Honesty Report show parents still go to work and kids still go to soccer practices, but family budgets increasingly run on empty. Families may have less money in their pockets and bank accounts to spend on other things, but they do not drastically change their energy consumption habits. Of course, at some point, price may change behaviour, but are we really willing to sacrifice our standard of living when no study to-date has positively attributed all or part of climate change to man–made causes?

Government efforts to reduce greenhouse gas emission will cost a great deal of money for minimal or no benefit. Taxpayers only need to look at Ottawa's policies to see an example. According to the auditor-general's office, the former federal Liberal government spent over $6-billion on climate change programs, produced few tangible results and saw carbon dioxide emissions increase by nearly 33 per cent above Kyoto Protocol targets. The current Harper government has committed to spend $10 billion. Meaningful greenhouse gas and pollution reductions will come with economic efficiency, which will drive technological advancements – not by taxing energy and providing government handouts to for-profit businesses.

2010 OLYMPIC SPENDING

The CTF recommends a commitment to no new Olympic funding and reining in projects to reduce the specter of continued cost overruns.

The CTF recommends the government enact an Olympic transparency plan to track all related and/or trademarked taxpayer Olympic spending in addition to previously committed capital spending.

In 2010, Vancouver will host the Winter Olympics. While putting together the bid for the Olympics, all partners signed contribution agreements. The province committed to providing $255 million for the capital costs of sport and event venues, $55 million for a legacy endowment fund, security costs of $175, medical costs of $13 million, upgrade costs for the Sea-to Sky Highway at $600 million, $14 million for the Callaghan Valley Road and a $139 million contingency fund.

An auditor General report indicates that taxpayers will be billed at least $2.5 billion for the "Spirit of 2010." Already, the Sea-to-Sky Highway upgrade is now estimated at nearly $2 billion. Security costs, originally estimated at $175 million, are expected to be at least two times higher. The medical cost estimate has not been updated. The contingency fund appears to have been allocated, leaving nothing should an actual "contingency" occur. Other projects such as the Convention Centre Expansion project had schedules that were accelerated to be completed in time for the Games. The cost overrun for the Convention Centre is now almost $400 million.

None of the above expenditures includes the cost of the Olympic Secretariat and the 2010 Commerce Centre within the Ministry of Economic Development.

The government has now apparently approved VANOC's business plan. They must now hold VANOC accountable for cost over runs through wage penalties and elimination of the $44 million bonus fund. The Provincial Government, through the taxpayer, has guaranteed that the costs of the Olympics will be covered. VANOC must not be permitted to saddle the BC taxpayer with more debt. The government must now turn off the money tap to instill financial discipline to VANOC.

In order to clarify the extent of taxpayer funding for the Games, the CTF recommends that the government adopt an Olympic transparency plan. The government should produce an annual report that tracks all Olympic related and trademarked spending for all ministries, including new spending initiatives like the Spirit of 2010 Business Centre, BC Olympic Games Secretariat and the 2010 Business Summit, and all the sundry "legacy" spending such as LegaciesNow. The report should also provide results based measurements demonstrating value for tax dollars.

CROWN CORPORATION REFORM

The CTF recommends giving consumers choice in a free marketplace through greater competition in the provision of auto insurance, lottery and liquor sales.

ICBC

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) was never proclaimed into law.

In their December 2005 Issues Update, the Insurance Brokers of British Columbia note:

> The Insurance Corporation Amendment Act (Bill 58, 2003) appointed the BCUC as the regulator responsible for setting ICBC’s basic insurance premiums and ensuring there is no cross-subsidization between ICBC’s basic and optional operations. Sections of Bill 58 that give the BCUC similar jurisdiction over optional insurance were omitted when it was proclaimed into law. The unproclaimed sections of Bill 58, which effectively prohibit ICBC from engaging in activities that would reduce competition, are already in place in federal competition legislation.

Furthermore, the integrated financial model used by ICBC camouflages the fact that it cross-subsidizes optional insurance with revenue from its basic insurance business. As a result, consumers are left with no real choice and the private sector is becoming a smaller and smaller portion of the market. In other words, the government is allowing ICBC to fortify its monopoly, contravening the government's election commitment.

There have been countless polls and surveys that show British Columbians want to have a choice for their auto insurance needs. The 2006 CTF supporter survey showed that 81% of CTF supporters are in favour of an end to ICBC's monopoly. At the very least, private competitors should be able to compete fairly for optional insurance customers and ICBC should be more transparent with its financial reporting.

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

BCLC

Monopolies often provide inferior service and have management and oversight problems such as those found in 2007 at the British Columbia Lottery Corporation. Instead of patching over those problems, the CTF recommends the privatization of the British Columbia Lottery Corporation

(BCLC) to induce competition and eliminate the possibility of future taxpayer-funded executive severance packages.

BCLC has run lottery schemes in British Columbia as an agent of the provincial government for more than twenty years. The provincial government also controls and regulates BCLC through legislation, regulations and directives. The Gaming Policy and Enforcement Branch (GPEB) in the Ministry of Public Safety and Solicitor General, makes policy to ensure gaming is fair, audit for compliance, and investigate complaints about gaming in British Columbia including the lottery schemes run by BCLC.

In the fall of 2006, questions were asked about the procedures BCLC had in place to ensure the correct prizes were being paid to the rightful owners of the winning tickets in its games. BCLC responded to those concerns in December 2006 saying it believed its retailer and retailer employee rate of win for prizes over $10,000 was within statistical norms

The GPEB, whose job it was to audit the BCLC, conducted no audits or investigations of BCLC operations between 2002 and 2006.

As a result of the questions, the GPEB investigated the BCLC in 2006. The GPEB was satisfied BCLC had procedures in place to ensure the right person was paid the right prize. The GPEB, the responsible government agency, left the impression that BCLC had the right procedures in place to prevent fraud.

However, the BCLC did not have an active program to look for potential fraudulent activity by its retailers. It relied on complaints from players to trigger an investigation.

After subsequent five-month investigation, the B.C. Ombudsman found significant and readily identifiable gaps in BCLC's prize payout procedures. Subsequently, the CEO of the BCLC was fired, and given a $600,000 severance package.

This situation clearly shows the inability of the government to be both the provider and regulator of gaming services and points to the need for the government to get out of the gaming business. Competition would give people the opportunity to buy lottery services at an establishment they could trust. If one outlet is deemed untrustworthy, people will shop elsewhere, leaving the untrustworthy business to fail. More importantly, government would have a strong incentive to properly regulate the industry, unlike the situation prior to 2006 with the GPEB and BCLC. Government run monopolies are not subject to the laws of the market, or even, it would appear, their own regulators. However untrustworthy they may be, citizens are forced to purchase services from the monopoly or do without.

BC Liquor Sales

The CTF recommends the sale of B.C. liquor stores and licenses issued to prospective liquor store operators.

According to a CTF study, choice boomed for consumers in Alberta with the introduction of competition. The number of stores rose from 304 government-owned liquor stores in 1993 to 907 completely private stores in 2001 or ***one store for every 3,400 people***. In comparison, B.C. has 224 government-owned liquor stores with 544 stores either under license to B.C. Liquor Stores or private stores (the latter of which are limited to beer and wine sales only), or 768 in total or ***one store for every 5,300 people*.**

The current government must return to its commitment of increasing private-sector involvement in B.C. liquor stores. In 2004, instead of pruning 40 to 50 government-run liquor stores each year from the 224 branches it oversees, the government caved in to the its employees' union and placed a "Business as Usual" sign around the province. That sign once characterized the previous regime's pro-union, anti-business landscaping, and was one the provincial Liberals promised to eliminate after coming into office.

The 2002 CTF supporter survey showed that 78% of CTF supporters were in favour of an end to the B.C. liquor monopoly.

The CTF's recommendation includes:

- Licenses and current liquor store locations should be offered to current employees before being placed on the market.
- The province should enter into a public/private partnership to manage the supply chain.
- Proceeds from any sale of assets should be used to pay down the provincial debt.
- Prospective operators should be required to operate liquor stores in locations that are separate and distinct from pre-existing retail operations.
- The current ad valorem system should be replaced with a base tax on beverage alcohol products.
- Private retail operators should be permitted to remain open the same number of hours as bars, so long as such hours are permitted at the municipal level.

Private-sector involvement in B.C. liquor stores would result in hundreds of new entrepreneurs, hundreds of 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.