Canadian Taxpayers Federation

A FOCUS ON FISCAL RESPONSIBILITY

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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 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.

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INTRODUCTION

A slowdown in B.C.'s economy is on the horizon because of a weaker external environment and moderating domestic demand. Nevertheless, continued strong corporate tax revenue means another budget surplus for B.C. this year. The Canadian Taxpayers Federation's (CTF) recommendations for Budget 2009 focus on fiscal responsibility, including debt elimination, tax reform, lower spending and greater consumer choice. These policies would help the province weather any economic storm.

The legacy of high government spending in the previous two decades, without the tax revenue to support it, left British Columbia with a large debt burden. Today, we have a growing consensus in support of balanced budgets, debt elimination and spending discipline.

The government has passed balanced budget legislation and the results have been very successful. Therefore, the CTF's number one priority for Budget 2009 is to go one step further and legislate a debt elimination plan. B.C. taxpayers currently fund interest payments of $6 million per day to service the debt. B.C.'s surpluses have opened a window of opportunity to pay off the debt and reduce these interest payments. However, without a commitment to debt elimination, similar to the commitment to balanced budgets, politicians will continue to be distracted by politically motivated spending priorities. It is time to establish a framework for successful debt elimination.

The second most crucial challenge today is to develop a tax system that is predictable, transparent and does not lend itself to manipulation by special interest groups 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 to reduce administrative costs and enhance compliance and competitiveness. A lower, simpler, flatter tax system will promote the incentive to work, save and invest; increase disposable incomes; and generate better economic prosperity for all citizens.

Reform of government services, grounded in greater choice -- including health care -- will soften demands on the public treasury and improve outcomes. Competition across sectors dominated by crown corporations will reduce costs, improve management oversight, and reduce the likelihood of more costly taxpayer-funded payoffs and litigation.

The government's focus on fiscal responsibility and good management of government's activities – balanced budgets and broad-based tax relief – took B.C. off the equalization dole and brought it back to "have" province status. However, a complicated tax system, paying for grandiose projects with borrowed money, and wasting tax dollars on fads to appear to be doing something -- especially leading into an election -- means B.C. could lose its hard won prosperity.

KEY RECOMMENDATIONS

- The CTF recommends the government adopt a legislated debt elimination plan applying 2.5% of own source revenue to the provincial debt.
- The CTF recommends the establishment of a public tax review committee to lower, simplify, and flatten the personal income tax system.
- The CTF recommends elimination of the B.C. carbon tax.
- The CTF recommends the repeal of section 45 (1) of the *Medicare Protection Act* that prohibits the purchase and sale of private medical insurance.
- The CTF recommends discontinuing corporate welfare creep by eliminating all *green* subsidies, starting with the Innovative Clean Energy Fund.
- The CTF recommends greater consumer choice and lower costs to taxpayers by allowing competition in the provision of auto insurance and lottery products.

DEBT REDUCTION

The CTF recommends the government adopt a legislated debt elimination 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.

We only need to look to our neighbours to the east to see the benefits of a legislated debt reduction plan. 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 6% 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 on taxpayers.

As we have seen 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. Debt elimination is important because debt servicing costs take funds from other programs and reduce the likelihood of greater tax cuts.

The Liberal government should be commended for getting B.C.'s debt down to $33 billion in 2006. However, lack of a legislated debt elimination plan has meant an *increase* in the debt, to an estimated $40 billion by 2010.

The rising debt will likely not be hidden by a downward trend in the taxpayer–supported debt to-GDP-ratio for much longer. The debt-to-GDP ratio only falls when GDP is growing faster than debt, and with an economic slowdown on the horizon, that ratio's direction could quickly change.

The commitment of half the forecasted surplus to debt reduction is an ad hoc method that leaves the door open to zero debt reduction, as the government lowers the forecasted surplus with a forecast allowance. This reduces any amount the government would be obliged to commit to debt reduction.

Taxpayers in B.C. deserve a firm commitment to debt elimination. With public debt charges at $2.2 billion – 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.

Debt reduction is of great importance to CTF supporters in B.C. Debt reduction, balanced budgets and taxpayer protection laws tie with lower taxes and tax reforms as the areas of highest supporter priority. In the case of what to do with the surplus, debt reduction is considered of even greater importance than lowering taxes. 68% of respondents in B.C. said unanticipated surpluses should be used to pay down the debt.

2008 BC-CTF Supporter Survey Results

Which ONE of these public policy areas do you feel should be the highest priority pursued by your CTF?

- Debt reduction/balanced budget/taxpayer protection laws 24%
- Lower taxes/tax reform 24%
- Accountability/democratic reform 21%
- Uncovering waste/identifying where to cut spending 21%
- Specific policy alternatives (i.e. health care, CPP and tax reform proposals). 8%
- Undecided 2%

In the event of unanticipated surpluses, the federal and provincial governments should place the highest priority on:

- paying down debt 68%
- lowering taxes 30%
- Undecided 2%

TAXATION

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

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 and simple to apply, encouraging public compliance and discouraging 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.

Across the board personal and business income tax relief since 2001 helped set the stage for re-investment and job growth in B.C. However, five tax brackets mean B.C.'s personal tax system is still unnecessarily confusing and complicated.

Today, a lower, simpler and flatter system is working successfully in one jurisdiction in Canada. 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 CTF's recommendations to Alberta included: calculating personal income tax as a percentage of income instead of as a percentage of federal tax; setting a high basic personal exemption; and setting a low tax rate with few of credits. Within a year, the CTF’s recommendations were mostly 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 successful. 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.

We know from our own experience that even if personal income tax rates fall, income tax revenues can rise. Total revenue from personal income tax is $6.7 billion in 2007/08, down from $6.9 billion in 2006/07. Corporate income tax, however, has gone up to $2.2 billion in 2007/08, from $1.5 billion in 2006/07. Lower tax rates create strong incentives to work, save 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 basic 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 $9,027. The CTF would recommend increasing the basic personal exemption to $15,000.

The CTF's B.C. supporters strongly support for a simpler, lower and flatter income tax system.

2008 BC-CTF Supporter Survey Results

Do you think Canada's income tax system with four tax rates should be simplified with two rates of 15% and 25% on income over $80,000?

- Yes 85%
- No 9%
- Undecided 5%

Which should be the CTF's top priority issue in British Columbia for the next 12 months? (Please mark only ONE).

- Simpler, lower, flatter income tax system 18%
- Making CTF issues a priority in the May 2009 provincial election 16%
- Environmental tax and spend policies (ie: new carbon tax) 14%
- Legislated debt reduction 10%
- Fighting Gordon Campbell's Gag Law 9%
- Ending subsidies to business/corporate welfare 8%
- Property tax reform 8%
- Lower government spending 7%
- Support May 2009 voting reform referendum 5%
- Watchdog Olympic spending 4%
- Other/None of the above 1%

The Carbon Tax

Carbon taxes are new taxes on families, are costly to administer, won't make our environment cleaner, and have done virtually nothing to influence the course of climate change where they already exist.

The government's so-called revenue neutral carbon tax will be anything but neutral for families, businesses and people on fixed incomes. It will create hardship for families with active lifestyles. Family budgets will take a direct hit with higher home heating costs and continued high gasoline prices at the pump. Family budgets will be hit again with higher property taxes, as municipalities pass cost increases on.

The recently announced carbon tax offset for municipalities may make good headlines, but the cost involved in becoming "carbon neutral by 2012" will still flow through into higher property taxes. Additionally, exceptions from a tax further complicate its administration, making collection more costly.

The cost of everything consumed, such as food and clothing, will go up, as businesses pass on their energy cost increases. Equally devastating is the economic hit to some of the provinces biggest exporters when the carbon tax leaves them less competitive in the world marketplace.

Hockey moms are unlikely to start walking their kids to practice as climate change enthusiasts might have us believe. More likely, it simply means more of the family budget is consumed by fuel, leaving less for other things in the household budget that may also become more expensive.

Carbon Taxes Don't Work

Carbon taxes are supposed to lower carbon dioxide emissions. The experience in Europe shows that almost never happens. European governments have imposed a garden variety of GHG reduction measures since the early 1990's. Nevertheless, GHGs went up in Europe by 5% 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%, 18.5% and 20% respectively. GHG emissions, on the other hand, increased a whopping 62% in Norway 11.3% in Sweden, and 2% in the UK. A growing economy means higher GHG emissions, but energy taxes, especially those that hurt large manufacturers, kills jobs.

The Science is Not Settled

So far this century, global temperatures have cooled, even though CO_2 emissions continue to rise.

All four global temperature datasets, and the two used by the Intergovernmental Panel on Climate Change (IPCC), show a cooling trend since 2002. The United Nations IPCC is the oft-referenced source for information in support of the global warming cause. The IPCC's Fourth Assessment Report published in 2007 states "continued greenhouse gas emissions at or above current rates will cause further warming." In fact, IPCC models forecast continuous global warming this decade of about 0.3 degrees celsius. The IPCC report doesn't mention the possibility of a cooling period this decade and no global warming alarmist ever claimed global warming would take a break.

The current phase of global cooling has gone on for almost 6 years, while CO2 emissions continue to rise. According to the Energy Information Administration, the source of official energy statistics for the US government, CO2 emissions worldwide increased by 15% between 2002-2005 (the last year for which data is available).

The IPCC said in 2007 that global warming was "unequivocal." It said temperatures rose by 0.74 degrees Celsius in the 20th century and could rise by a "best guess" of another 1.8 to 4.0 degrees Celsius by 2100. But so far this century, global warming has stalled. The record year for world temperatures was 1998, according to World Meteorological Organization data.

In fact, Rajendra Pachauri, the head IPCC, was forced to concede that global warming had stalled when he said; "he would look into the apparent temperature plateau so far this century." (source: Reuters, World Warming Despite Cool Pacific and Bagdad Snow, January 11, 2008.)

According to Dr. Don Easterbrook, a geologist at Western Washington University who has researched global climate change for the past 48 years, the 0.78 degree Celsius temperature drop of the winter of 2007-08 wiped out virtually all the global warming experienced this century and was the single largest temperature change -- in any direction -- ever recorded.

There are two main problems with trying to "do something" about global warming. First, we are expected to spend trillions of dollars for a very small change in global temperatures 100 years from now. Second, global warming models might be wrong.

Further, the policy of creating exemptions for some groups, such as municipalities, is not the solution. It merely complicates the administration of the carbon tax, increasing its cost and lessening its, however misguided, effectiveness.

The CTF strongly opposes the carbon tax, a cap and trade taxes, and subsidies to alternative energy projects. B.C. supporter survey results indicate the CTF position against carbon taxes is well supported and that all carbon taxes should be opposed. Almost 80% of respondents in B.C. said the CTF should continue to oppose the carbon tax and other greenhouse gas tax and spend policies.

2008 BC-CTF Supporter Survey Results

The CTF has taken a strong stand against government taxes and regulations surrounding attempts to curb man-made global warming. Should the CTF:

- Continue as we are 45%
- Make opposing these policies an even higher priority 39%
- Leave this issue alone, global warming is serious and must be addressed. 13%
- Undecided 3%

Should the CTF oppose any and all carbon taxes outright OR support them if they can be shown to be:

- Any carbon tax should be opposed 56%
- Revenue neutral for governments 22%
- Revenue negative for governments (i.e. other taxes come down than more than a new carbon tax so taxpayers pay less) 19%
- Undecided 3%

The CTF should continue to strongly oppose the carbon tax and other greenhouse gas reduction tax and spend policies.

- Yes 79%
- No 11%
- Undecided 10%

SPENDING REFORM

Health care reform

The CTF recommends public health reform to put patients first. The CTF recommends the repeal of section 45 (1) of the *Medicare Protection Act* that prohibits the purchase and sale of private medical insurance.

Canada's government run and rationed health care monopoly is strained and producing poor results. The injection of choice into the heath system is the first step to better outcomes and lower costs. By empowering patients with private and not-for-profit options, hospitals and care givers that provide the most valued service will grow.

Health is the province's biggest spending program. Health accounted for 38% of total government spending in 2007/08, and is expected to rise to 39% of total spending in 2008/09. However, continued long wait lists point to the need for reform. Without reform, spending will continue to rise and no incentives will exist for improved outcomes.

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

There are other systems worldwide that provide an example to B.C. of better health care outcomes and lower taxpayer burdens.

Sweden, a country widely viewed as a bastion of socialist medicine, has privately managed health care facilities, private health care insurance and user fees. Sweden now spends less of its national income on health care than Canada and wait times have been reduced. Other countries, including France, Germany and New Zealand, also deliver better medical outcomes than Canada does.

In fact, Canada is the only OECD country where it is illegal for you to pay for core medical services out of your own pocket for yourself and your family. The result: health care rationing and long wait times for care. This won't continue. The Supreme Court of Canada has already ruled that forcing people to suffer and perhaps die on waiting lists and stopped from seeking out alternatives is a violation of Quebecer's human rights.

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.

It is preposterous that British Columbians can purchase private health insurance and spend as much of their after-tax income as they choose on health care for their pets but are prohibited by law from spending the same on health care for their children. Freedom of choice in health care provision in British Columbia should extend beyond our dogs and cats. Opening up the health care system to alternatives is not a panacea. It is a step in the right direction for patient choice, sustainability and improved outcomes.

CTF supporters in B.C. strongly support private sector medical options.

2008 BC-CTF Supporter Survey Results

Do you support a parallel private medical system to coexist alongside the public one?
- Yes 85%
- No 7%
- Undecided 8%

Green spending/ICE fund

The CTF recommends discontinuing corporate welfare creep by eliminating all *green* subsidies, starting with the Innovative Clean Energy Fund.

Corporate welfare is one of government's most wasteful spending programs. In B.C., subsidy programs channeling funds to individual *businesses* were commendably eliminated in 2002. Today, however, we see funds channeled to so-called *green* projects, project that may or may not have freely received funding in the markeplace. The trend towards spending on eco-fads could quickly undo the benefits of subsidy reduction.

Corporate welfare wastes tax dollars when those dollars are handed out to activities that the market would have voluntarily supported anyway. It destroys wealth when tax dollars are spent on activities that the market would not have supported. Corporate welfare hurts the companies that receive taxpayer largesse as it tends to make them less competitive. It hurts the companies that do not receive taxpayer largesse because those companies have to compete, and fund with their tax dollars, companies that do. Corporate welfare slows economic growth and makes society poorer, which slows adaptation to, and investment in, modern infrastructure and technology.

The Innovate Clean Energy (ICE) Fund is a case in point. The government created the ICE fund tax in September 2007 to collect $25 million to subsidize clean energy projects. The ICE fund reached $25 million and was then renewed. The province had, at one point, 60 applications to the ICE fund looking for nearly $140 million in handouts. If program success is defined as the popularity of receiving other peoples' money, this fund could go on forever.

The ICE fund was renewed after groups such as Terasen Gas, Lignol, UBC, BCIT and UNBC were awarded tax dollars. Terasen Gas is a private, profitable company that would undoubtedly freely invest in a profitable project. Lignol is one of the largest alternative energy companies in B.C. that would also, no doubt, fund a profitable venture. UBC, BCIT and UNBC, as educational institutions, already benefit from taxpayer funds, and the education sector's allotment of tax dollars is growing faster each year. Shoveling tax dollars at companies and institutions in an effort to appear to be doing something about the environment is wasteful, and could hurt companies trying to compete in the marketplace.

It is not a responsibility of government to create an environmental industry. Channeling funds into select industries 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, but losers are good at picking governments.

CROWN CORPORATION REFORM

The CTF recommends greater consumer choice and lower costs to taxpayers by allowing competition in the provision of auto insurance and lottery products.

High profile mismanagement and recent increases in senior-level bureaucrat salaries due to salary competition from crown corporations are two reasons why crown corporations need to face the discipline of the competitive marketplace. Without reform, taxpayers will be forced to fund ever higher costs for executive payoffs, high compensatory costs for employee wrongdoings and higher salary levels for bureaucrats at all levels of government. Competition creates the incentive for cost control and more effective management. Crown corporations must no longer feed at the trough whenever difficult decisions arise.

To reduce taxpayer-funded public sector employment, the inflationary effects of inflated salaries, and the long term legal liability from poor management, the CTF recommends removing the monopolies granted to ICBC and BCLC.

BCLC

Monopolies often provide inferior service and have management and oversight problems such as those found in 2007 at the British Columbia Lottery Corporation (BCLC). Instead of patching over those problems, the CTF recommends the removal of the BCLC monopoly to create competition and eliminate the possibility of future taxpayer-funded executive severance and bonus 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, audits for compliance, and investigates complaints about gaming in British Columbia including the lottery schemes run by BCLC.

A 2007 B.C. Ombudsman’s report found that not only were lottery ticket retailers winning at a higher rate than would be expected by chance, but were winning multiple times. The Ombudsman’s report clearly stated that complaints about the rate of retailer winnings had to be known by senior BCLC management – and yet nothing was done. It found problems with almost every aspect of BCLC's prize payout procedure.

Oversight of that crown corporation was also virtually non-existent. The government agency in charge of investigating the BCLC, the GPEB had not audited the BCLC's retailer network or complaint handling process prior to October 2006. The Ombudsman's report also found inadequacies in the investigations into the integrity of the BCLC's retail network.

As a result of the Ombudsman's report, the BCLC CEO Vic Poleschuck was fired without cause. Being fired without cause, Mr. Poleschuck walked away with a $600,000 severance package and almost $100,000 in bonus payout.

Removing the BCLC from the Ministry of the Solicitor General so that both the BCLC and the GPEB are not in the same ministry, and spending millions to fix oversight problems, does not eliminate the fundamental problem with the BCLC: a lack of market-driven efficiency brought about by the requirement to compete for business.

Salary levels are high. Mr. Poleschuck walked away with over $900,000 last year because of his generous severance package. The interim CEO made almost $260,000, and the four Vice Presidents made between $229,868 and $299,125 (including *incentive* compensation, pension amounts, and other amounts, including vacation, car allowance, and gasoline costs).

Competition would give lottery customers 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 important, 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.

Competition in the marketplace keeps management on its toes because consumers have the choice to take their business elsewhere. It also ensures competitive salary levels, which would lessen the pressure to increase senior level bureaucrat salaries, and lessen that burden to the taxpayer.

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 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.

ICBC does not provide competitive insurance products for customers. While auto insurance premiums have gone up in B.C. over the past three years, those in Ontario, Alberta, and the Atlantic Provinces, provinces enjoying competitive insurance markets, have gone down. Monopoly provision of insurance in B.C. has led to rising costs for consumers.

According to data from the General Insurance Statistical Agency, between 2003 and 2007, average auto insurance premiums fell by almost 16% in Ontario, 14% in Alberta, 24% in Nova Scotia, 37% in New Brunswick, 15.5% in Prince Edward Island, and 21% in Newfoundland. Meanwhile in BC, average premiums rose 5.1% between 2003 and 2006. B.C.'s 2007 premium increased by 3.3%, while rates for "good" drivers decreased by 3.8%. In 2008, ICBC decided not to seek an increase in basic rates, after a 10% increase over the previous two years.

Salary levels are high. More than 860 of ICBC's 5,000 employees made over $75,000 in 2007. CEO Paul Taylor made $524,759 in 2007. ICBC increased executive bonuses by 30% in 2006. High salary levels act to increase the demand for higher wages in the broader public sector, adding to taxpayers' burdens.

The cost to cover for extreme mismanagement also creates a burden for taxpayers. The sale of rebuilt vehicles from an ICBC training centre is an example of the breach of trust people in B.C. have been subject to from their crown corporations. The buyback of ICBC's rebuilt vehicles has cost taxpayers $2 million so far. Opening up the auto insurance market to competition will create an environment of greater accountability and no longer leave taxpayers to compensate for managerial wrongdoing.

The ICBC training facility in question was set up in 1988 to conduct repair research to reduce costs and "inform industry training" -- whatever that means. The facility rebuilt between 30-40 salvage vehicles (those considered by ICBC to be cheaper to write off than to repair) per year, and then sold them. The training facility is the only part of ICBC that sells rebuilt vehicles. Between 1998 and February 2008, the training facility sold 98 vehicles to ICBC employees and unsuspecting buyers without revealing the vehicles' repair history. As a result of this funny business at the training facility, ICBC no longer sells rebuilt vehicles. Questionable sales from the facility, however, went on for 10 years.

Checks and balances are in place to protect the public when rebuilt vehicles are sold by motor dealers in the private sector. The Motor Vehicle Sales Authority (MVSA) enforces the Motor Dealer's Act and components of the Business Practices and Consumers Protection Act, as they relate to vehicle sales. The MVSA licenses and regulates more than 1,700 motor dealers and over 8,000 salespeople in B.C. The MVSA is financed by license fees from motor dealers, not the taxpayer. ICBC is exempt from this oversight.

According to the MVSA, a private dealer would not have been able to hide the history of rebuilt vehicles it sold for a 10 year period. When a dealer buys a salvage vehicle from ICBC, then rebuilds the vehicle and sells it, it must disclose any accident that vehicle had with damage over $2,000. The MVSA inspects private dealers at least once every two years or more if it detects problems or a consumer complains about a dealer. If a private dealer sold rebuilt vehicles without disclosing its history, its license to operate could be suspended, or even cancelled. Getting shut down acts as a big disincentive to ripping off consumers. ICBC, however, has not been shut down.

If the government cannot protect the public from the misdeeds of its own corporations -- and those misdeeds would have been less likely to occur in the private sector -- then it is time to question whether the government should be providing those services.

These are but two examples of how both consumers and taxpayers are poorly protected when the government gets involved in the supply of services. It is extremely unlikely a regulatory body would shirk its responsibilities when regulating private businesses as it has with public organizations. Competition and the fear of losing the ability to continue on in business are two of the most important deterrents to misdeeds in the private sector - which is exactly where lotteries and auto insurance should be.

B.C. CTF supporters agree -- it is time for the ICBC monopoly to end.

2008 BC-CTF Supporter Survey Results

In the absence of privatization, would you support private insurers competing directly with ICBC for both basic and optional auto insurance?

- Yes 88%
- No 8%
- Undecided 4%