British Columbia: At the Crossroads

The Canadian Taxpayers Federation 2006-07 Budget Recommendations

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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 61,000 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 Centre for Aboriginal Policy Change in Calgary dedicated to monitor, research and provide alternatives to current aboriginal policy and court decisions. Provincial offices and the Centre conduct research and advocacy activities specific to their provinces or issues 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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- Taxes: simplify, lower and flatten. The CTF recommends British Columbia: eliminate the top two income tax brackets, bump the basic personal amount up to $15,000 and eliminate all income tax credits, exemptions, refunds and deductions.

- The CTF recommends the government restrain its capital spending plans and hold program spending constant or at maximum keep increases equal to that of the consumer price index (CPI).

- The CTF recommends the government approve all budgetary increases requested by the offices of the Auditor General, Ombudsman and the Information and Privacy Commissioner.

- The CTF recommends the government provide a First Nations Relationship Fund accountability report.

- The CTF recommends the government re-affirm its commitment to limit 2010 Olympic funding to $620 million. The CTF further recommends that the provincial government member of the Vancouver Olympic Organizing Committee (VANOC)'s board of directors report annually to the legislature on the management and fiscal practices of the committee including its quarterly financial reports.

- The CTF recommends the government enact an "Olympic Transparency Plan" to track all related and/or trademarked 2010 Olympic spending in addition to previously committed capital spending. The CTF also recommends that all capital projects be subject to a rigorous and competitive tendering process, and where possible pursue public-private partnerships.

- The CTF recommends a legislated ban on all non-essential government advertising and sponsorships.

- The CTF recommends the government repeal section 45 (1) of *The Medicare Protection Act* that prohibits the purchase and sale of private medical insurance.

- The CTF recommends the government introduce legislative changes to allow greater competition in the provision of auto insurance and liquor sales.

Fiscal Forecasting, Budget and Three Year Reviews

The CTF recommends the government conduct an audit at the end of each three year fiscal cycle and provide explanations for forecast deviances.

The Canadian Taxpayers Federation (CTF) commends the government for fully implementing the Generally Accepted Accounting Principles (GAAP) for the summary financial statements and for continued effort to improve forecasting and financial reporting. An important aspect of financial forecasting is the government's three year fiscal plan. Each budget provides a three year fiscal plan which provides taxpayers with a bird's eye view of the government's future goals and projects. However, all too often, the government is too eager to look forward without reference to where they've come.

Each successive budget contains a rolling forward update of the three year forecast, but to date there has been no accounting for the massive variations between the initial spending and revenue projections with the actual revenue and expenses incurred. It is just as important for government to look back on its track record and ability to stay the course as it is to provide future fiscal goals.

For example, the 2004 budget estimated this year's (2006) revenue to be $27.9 billion but the recently released second quarterly report estimates revenue to hit a staggering $35.7 billion. The fiscal plan was off by almost $8 billion or 27.5 per cent. These variations aren't necessarily a failure of government forecasting. For example, natural resource prices are beyond government control. However, it is incumbent upon the government to provide an explanation and analysis of its forecasting difficulties.

Fiscal Plan vs. Actual

	Revenue ($ millions)	Expense ($millions)
Budget 2004 Plan for 2005/6	27,945	27,570
2nd Quarterly Report 2005/6	35,740	32,803
Variation	7,795	5,233

On the other hand, government *does* have control and responsibility over expenditures. It is expected that expenditure forecasting would be more in line with actual expenses incurred. According to the expense forecasts for this year included in the budget 2004 documents, total taxpayer supported expenses were estimated at $27.5 billion; whereas the second quarterly report for this year estimates that actual expenses will hit $32.8 billion, a difference of $5.2 billion or 20 per cent. Government should provide a detailed and understandable explanation of the wild variation between its forecast and actual spending.

At the same time, budget 2004 forecast total debt to hit $42 billion for fiscal year 2006 and the second quarterly report update estimates the debt to be $35.4 billion. There may be some hidden good news developments between the three year plan and the actual accounting, in any event it is up to the government to provide a full explanation for all variances.

If the financial forecasting has a 20-25 per cent margin of error, what is its purpose? It certainly cannot be relied upon by investors. And taxpayers should be skeptical of the government's ability to stick to its own financial plan. An audit at the end of each three year fiscal cycle would explain budget pressures, unforeseen circumstances and contingency spending not originally included in forecasts. Otherwise, the three year planning cycle isn't worth the paper it's written on.

Debt

The CTF recommends the government adopt a legislated debt retirement plan that would mandate, at minimum, an annual *net debt reduction* equivalent to 2.5 % own source revenue.

The government should be commended for its record debt pay down of $1.9 billion last year. But, a one time balloon payment has done nothing to keep the debt load from growing. In fact, the September update forecasts the debt to increase to $38 billion by the end of the government's fiscal plan in 2008/9. That works out to $9,500 for every man, woman and child.

What does a burgeoning debt load mean for a government trying to manage competing priorities? It means fewer resources, fewer choices. It also means higher tax bills for the next generation of taxpayers who will have to pay more down the road just to receive the same services that are provided today.

Last year, the CTF recommended a debt retirement schedule that was tied to the surplus or a percentage of own source revenue, whichever was greater. However, due to the problematic nature of forecasting surpluses, as well as mid year up-swings in spending, it is recommended that debt repayment becoming part of the budgeting process: as a line item.

The CTF is recommending a legislated debt retirement plan that would see, at minimum, *an annual net debt reduction equivalent to 2.5 per cent own source revenue.* Therefore, the government would pay the annual debt servicing costs, plus a further reduction of an amount equivalent to 2.5 per cent of own source revenue. According to calculations from this past September's update, 2.5 per cent own source revenue works out to $721 million. If implemented for this fiscal year, the CTF plan would see a net debt reduction of $721 million to $34.75 billion.

Just this year, over 1.2 billion tax dollars will go simply to service the debt. That works out to $3.5 million per day. Right now, we are also enjoying 40 year lows in interest rates. The government's own calculations suggest that a one per cent rate increase would push up debt costs by at least $110 million. Those dollars are not available for tax relief, for education or health, they are a constant and expensive reminder of the fiscal impatience of previous governments.

According to the CTF's 2005 annual supporter survey in British Columbia, 96% of respondents agree that the province should legislate a debt retirement plan. CTF supporters further underscore debt repayment as a priority when asked about this year's surplus. A full 74% felt that if the 2005 budget forecast holds, the number one priority should be debt repayment.

CTF Supporter Survey 2005

Should BC follow Alberta's example with a legislated debt retirement plan?

Agree:	96%
Disagree	1%
Undecided:	3%

If the 2005 budget forecasts hold, how should the surplus be used, what is your number one priority?

Debt repayment:	74%
Lower Taxes:	24%
Undecided:	3%

Also, the finance committee's budget 2006 consultation report noted:

> Another recommendation we heard was that government should commit to implement a long term debt management strategy, with the ultimate goal of British Columbia retiring its taxpayer supported debt. Some of the online submissions indicated disappointment that the government seems reluctant to put into place a debt management strategy. (Report on the 2006 Budget Consultation Process, page 30).

The government often notes its improving debt to gross domestic product (GDP) ratio as a measure of its ability to manage debt. The 2005/6 second quarterly report estimates that the total debt to GDP ratio will fall to 21.4 per cent, down from 26.9 per cent in 2001/2. The reductions in so-called taxpayer supported debt to GDP are far less impressive. However, debt to GDP ratios are not a reflection of the government's ability to manage the debt. Such ratios are more indicative of the province's growing economy reducing the bite of the debt than a reflection of adequate debt management.

Indeed, the auditor general noted in his most recent report, *Monitoring the Government's Finances* that total debt has increased by $5.8 billion, or 17 per cent over the past nine years, 1997-2005. Looking at the government's liability trends, the auditor notes that "the general program obligations…have to be paid for by using financial assets available to government general programs. Those include the net assets of the enterprises [crown corporations]. Any shortfall, or 'net liabilities,' will have to be borne by future taxpayers. Net liabilities provide an important measure of the affordability of government's spending and investment activities," (page 34).

The government's net liabilities have increased 34 per cent between 1997 and 2005. Just nine years ago, net liabilities were $19.6 billion but jumped to $26.3 billion by 2005. Over the same period, per capita net liabilities, the amount that each citizen would need to pay in order to discharge government’s past borrowing and spending commitments, has also increased 24 per cent.

We need not look far in order to see the benefits of being debt free. Alberta is the first province to be debt free. But let us not forget, Alberta’s fiscal fortunes weren’t simply extracted from the ground. Indeed, Alberta adopted legislation to eliminate its deficit and pay down debt.

In 1994, our enviable neighbour didn’t look so great with a cumulative debt of $22.7 billion. British Columbia’s debt load wasn’t far off at $25.6 billion. After a decade of discipline, restrained spending and exceeding payment targets, Alberta announced that it had retired its debt this year. British Columbia on the other hand, has failed to successfully implement any kind of a debt management plan, let alone a debt retirement schedule. Consequently, the province’s debt now stands at a staggering $35.4 billion. If Alberta did not maintain a strategy of spending restraint and sustained debt payments, it would be sitting with a $65 billion debt today and would have squandered over $1.4 billion more on annual debt servicing costs. In fact, before Alberta adopted a debt retirement plan, the per capita debt load hovered around $8,400.

Linking annual net debt reduction to own source revenue allows for payment amounts to reflect slow downs in the economy without hamstringing government’s ability to respond to unforeseen expenditures or revenue shortfalls. The CTF proposal is manageable, sustainable and necessary for British Columbia to demonstrate fiscal foresight.

Financial & Economic Review 2005: Debt Summary

Table A2.24 Historical Provincial Debt Summary [1]

Year	Taxpayer-Supported Debt								Total Debt as a Per Cent of GDP	Taxpayer-Supported Debt as a Per Cent of GDP
	Provincial Government Direct Operating	Education Facilities Capital Financing	Health Facilities Capital Financing	Highways, Ferries and Public Transit	Other [2]	Total Taxpayer-Supported Debt	Self-Supported Debt [3]	Total Provincial Debt		
					(millions)				(per cent)	
1969/70	-	338	42	142	100	622	1,661	2,283	24.7	6.7
1970/71	-	362	64	172	99	697	1,808	2,505	25.6	7.1
1971/72	-	380	85	233	95	793	1,948	2,741	24.9	7.2
1972/73	-	408	105	288	87	888	2,062	2,950	23.8	7.2
1973/74	-	425	117	340	145	1,027	2,228	3,255	21.1	6.7
1974/75	-	485	133	386	149	1,153	2,650	3,803	21.3	6.5
1975/76	-	557	178	544	145	1,424	3,144	4,568	23.1	7.2
1976/77	261	658	236	649	188	1,992	3,787	5,779	24.4	8.4
1977/78	261	710	291	656	215	2,133	4,464	6,597	24.9	8.1
1978/79	261	778	334	653	91	2,117	4,838	6,955	23.3	7.1
1979/80	235	836	401	730	195	2,397	5,704	8,101	23.3	6.9
1980/81	209	919	461	729	270	2,588	5,956	8,544	21.6	6.5
1981/82	183	1,067	561	844	291	2,946	7,227	10,173	22.7	6.6
1982/83	883	1,204	660	1,024	894	4,665	7,692	12,357	27.4	10.4
1983/84	1,596	1,321	712	1,392	1,174	6,195	8,440	14,635	30.8	13.0
1984/85	2,476	1,308	717	691	1,276	6,468	9,082	15,550	31.2	13.0
1985/86	3,197	1,276	680	1,034	1,376	7,563	8,990	16,553	30.9	14.1
1986/87	4,802	1,268	681	1,097	812	8,660	8,485	17,145	30.3	15.3
1987/88	5,017	1,278	716	1,192	660	8,863	8,149	17,012	27.2	14.2
1988/89	4,919	1,322	763	1,213	842	9,059	7,396	16,455	23.7	13.1
1989/90	4,209	1,367	837	1,244	1,262	8,919	7,340	16,259	21.5	11.8
1990/91	4,726	1,565	959	1,287	1,281	9,818	7,444	17,262	21.8	12.4
1991/92	6,611	1,939	1,040	1,527	1,431	12,548	7,493	20,041	24.5	15.3
1992/93	8,969	2,426	1,141	1,719	1,641	15,896	7,526	23,422	26.8	18.2
1993/94	10,257	3,054	1,181	1,862	1,627	17,981	7,946	25,927	27.6	19.1
1994/95	10,181	3,631	1,318	2,158	1,749	19,037	8,013	27,050	26.9	18.9
1995/96	10,237	3,990	1,399	2,598	1,695	19,919	8,847	28,766	27.2	18.9
1996/97	11,030	4,230	1,431	3,144	1,440	21,275	8,096	29,371	27.0	19.5
1997/98	11,488	4,352	1,417	3,463	1,431	22,151	8,204	30,355	26.5	19.4
Information from 1998/99 onwards has been restated to include SUCH sector fiscal data.										
1998/99	12,056	4,799	1,406	3,641	1,330	23,232	8,910	32,142	27.8	20.1
1999/2000	13,675	5,184	1,584	3,487	1,276	25,206	9,232	34,438	28.5	20.8
2000/01	12,007	5,458	1,926	4,191	1,527	25,109	8,679	33,788	25.7	19.1
2001/02	13,779	5,843	2,075	4,639	1,198	27,534	8,548	36,082	26.9	20.5
2002/03	15,447	6,124	2,146	4,786	922	29,425	7,452	36,877	26.7	21.3
2003/04	15,694	6,521	2,215	4,880	718	30,028	7,739	37,767	26.0	20.6
2004/05	14,481	6,809	2,112	4,593	662	28,657	7,169	35,826	22.9	18.3

1 Debt is after deduction of sinking funds, unamortized discounts and unrealized foreign exchange gains/(losses), and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for 1998/99 onwards have been restated to conform with the presentation used for 2005 and to reflect changes in underlying data.

2 Includes BC Buildings, BC Housing Management Commission, Provincial Rental Housing Corporation and other taxpayer-supported Crown corporations and loan guarantee provisions.

3 Includes commercial Crown corporations and agencies and, beginning in 1995/96, funds held under the province's warehouse borrowing program.

Taxes

Simplify, lower and flatten: A three pronged starter plan for British Columbia: eliminate the top two income tax brackets, bump the basic personal amount up to $15,000 and eliminate all income tax credits, exemptions, refunds and deductions**.**

At the heart of competition is the drive to do better, aim higher and seek opportunities to improve. The government should be applauded for its ambitious income tax reduction in 2002. But maintaining a competitive tax regime means more than just one “kick at the can.”

British Columbia is poised to become an economic leader in Canada. Our fortunes today are the result of bold and decisive actions taken by the government in its first mandate. Voters and taxpayers wanted a new fiscal track and to once again put BC back on top. Our ambitions need not stop because we are leading, we must aim higher and seek out new opportunities. If we fail to continuously improve, we will stagnate and our economic engine will idle.

The government has repeatedly recognized that BC businesses need to be able to compete globally and attract world class talent in order to thrive and compete. The government, therefore, has an obligation to ensure its tax policies create an environment for wealth creation. A heavy tax burden can actually shrink the potential tax base. Punitive tax loads drive out talent, innovation, investment and ultimately jobs. One of the government’s five great goals for a golden decade is “to create more jobs per capita than anywhere else in Canada.” A laudable goal indeed but not one that is easily attained and even more difficult to sustain.

Strong revenue streams that have pushed up government surpluses are derived largely from volatile sources, like natural resources and federal transfer payments. Spending has also climbed with revenues, increasing the vulnerability of the fiscal plan. Furthermore, after several years of poor performance, British Columbia’s economy has a lot of catching up to do. BC’s gross domestic product per capita continues to lag behind Canada’s and ranks fifth amongst the provinces, behind Alberta, Saskatchewan, Newfoundland and Labrador (Auditor General Report “Monitoring the government’s finances”). British Columbia should be looking at its tax policies not only to catch up but gain a competitive edge.

Therefore, the Canadian Taxpayers Federation is proposing a bold three-pronged, reform proposal that will simplify the tax code, increase productivity, investment, wages, jobs and reduce compliance and administration costs.

The first pillar is to phase out the top two personal income tax brackets, which are not only excessively punitive but also put BC at a competitive disadvantage to our closest jurisdictions. Secondly, increase the basic personal exemption for all income earners to $15,000. Finally, eliminate all personal and corporate income tax deductions, exemptions, and credits.

In 1998, the Canadian Taxpayers Federation presented a submission to the Alberta Tax Review Committee entitled, "Simpler, Lower and Flatter." The submission recommended eliminating the myriad of exemptions, credits, deductions and replacing them with a single, simple low rate of income tax to increase investment, compliance and decrease tax avoidance and the cost of tax administration. Simplify, lower and flatten, first championed in Estonia in 1994 and has been spreading faster than red fever with Russia, Lithuania, Latvia, Hong Kong, Serbia, Ukraine, Ireland and New Zealand embracing the policy. Indeed, closer to home the Alberta government adopted the CTF's recommendation almost verbatim.

Government needs to collect revenue for the services it provides. However, it can do so in a far less distorting manner than the current system. Complexity creates unnecessary loopholes, higher compliance costs and tax avoidance while high rates discourage saving and investment. There is clear evidence here and internationally that simplifying and flattening the tax code can spur economic growth and benefit government coffers. endlessly. Right now, BC is one of two provinces that has five different income tax brackets, a stingy basic exemption and countless credits, deductions, exemptions and refunds that make no sense and favour one small political constituency at a time.

Personal Income Tax

Taxable Income	Tax Rate
$0 to $33,061	6.05%
$33,061.01 to $66,123	9.15%
$66,123.01 to $75,917	11.7%
$75,917.01 to $92,185	13.7%
Over $92,185	14.7%

CTF tax recommendations would result in an estimated $930 million in forgone revenue. Increasing the basic personal amount to $15,000 would mean an extra $383 for each taxpayer and would remove over 223,400 low income earners from British Columbia's tax rolls. Increasing the basic personal exemption would do far more to help low income earners than the government's current tax credit plan which is clawed backed as income raises; discouraging productivity and the drive to earn more. Also, streamlining the number of income tax brackets by removing the top two rates will increase investment, savings, jobs and wages. Ultimately, the goal is to move to single low rate of taxation with a generous and fully indexed basic personal exemption. In order to remain competitive, BC needs to do more than stay out of the red and ride the wave of high resources prices, the government needs to adopt a forward looking plan to put BC ahead of the curve.

Year	BPE (From $8,676 to $15,000) $-million	Foregone Revenue by eliminating 13.7% Threshold $-million	Foregone Revenue by eliminating 14.7% Threshold $-million	Total in Foregone Revenue $-million
2006/07	658,078*	81,567	190,131	929.7

*Would remove 223,400 British Columbians from tax rolls

Eliminating the series of convoluted income tax credits, deductions and exemptions would mean an additional $881 million in revenue each year, therefore the CTF three pronged proposal would see an initial revenue adjustment of a mere $49 million. That figure does not include the anticipated cost savings in lower tax administration costs.

Many eastern European countries that have simplified their tax codes have actually witnessed an increase in government revenues. As the tax system becomes less cumbersome, investments and earnings increase.

The CTF's 2005 supporter survey reveals that next to debt elimination, lowering taxes remains a priority in British Columbia. Given the choice between reducing medical services premiums, property taxes, property transfer taxes, sales taxes, corporate income taxes, a full 42 per cent said that personal income tax reductions should be the top priority.

The finance committee's 2006 budget consultation report also noted that "one clear message we heard throughout our budget consultations was the need for British Columbia to remain fiscally and economically competitive; not only with our neighbours to the east and south, but also on an international scale. We heard that in order to attract investment in different sectors and different regions of the province, it is important for government to monitor taxation levels to ensure competitiveness with other jurisdictions," (pp.9-10).

British Columbia is in an enviable position but it certainly did not get there by accident. Leadership and commitment ensured the province got its fiscal house in order, but it still has a long way to go. It is crucial for the government to seize this moment to fan the fires of fiscal prudence and build on the roots of its success. The CTF proposal is just one step to simplify the tax system with the future goal of a single tax rate and a generous personal exemption. Only then will British Columbia not only maintain a competitive edge but make tax collection more transparent and accountable to those that pay tax.

Spending

The CTF recommends the government restrain its capital spending plans and hold program spending constant or at maximum keep increases equal to that of the BC consumer price index (CPI).

There are several bottom line pressures that the government will need to manage in a sustainable manner over the next few years: interest rates, public sector compensation agreements, fluctuations in natural resource prices, volatile federal transfer levels, the value of the dollar and inflation will significantly impact the government's ability to stay on budgetary course. Although some of these economic variables have proven to be a boon for government coffers, expenditures have also increased dramatically in the past few years and are set to increase further over the next fiscal three year cycle.

According to the 2006 estimates, ministerial expenses are up 8.5 per cent from the previous year's estimates; far in excess of the 2 per cent increase in British Columbia's consumer price index (BC Stats). In 2005, the government estimated ministerial spending would be $24 billion and for the 2006 fiscal year it will hit $27 billion. This assumes, however, that the government will stick only to its planned spending. It was not surprising that during last year--an election year-- the government staggered off its budget course by $1.15 billion or fully 5 per cent!

In fact, when asked about the issues covered during last year's election, a majority (53 per cent) of CTF supporters thought the Liberal campaign focused too heavily on new spending and not enough on tax reductions and debt retirement. Also of interest, 49 per cent of supporters agreed (37 per cent disagreed and 14 per cent were undecided) with the statement that "the Liberal and NDP platforms were virtually identical in the 2005 election." An unexpected statement in a province that is often ideological and politically polarized.

In large measure, these spending increases have been in health and education, which now account for 69 per cent of total program spending (2006 estimates). In fact, according to the auditor general, health expenses have increased an astonishing 54 per cent since 1997 ($7.5 billion in 1997 to $11.5 billion in 2005). Likewise, education expenses have increased from $6.4 billion in 1997 to $8.5 billion, or 32 per cent. Such prolonged and massive increases in spending are not sustainable and the government needs to maintain better control over its two largest ticket items and more aggressively open up both services to the private sector.

The most recent September update revealed the government's plan to increase consolidated revenue fund spending by 11.3 per cent between 2005 and 2008. The same report includes yet another increase update to the capital spending plan from the previous February budget by an additional $1.1 billion. Much of the 30 per cent capital spending increase is being financed through new borrowing, pushing up the province's burgeoning debt load. The chart below details the massive growth in the government's capital budget in just the past two years. Since February of 2004, the province's capital budget has increased a full 43 per cent!

Capital Spending Variances: Two Year Snapshot

($millions)	Budget 2005	Actual 2005	Budget 2006	Actual 2006 (September Update)	Aggregate Difference
Total Capital Spending	**2,934**	**3,184**	**3,857**	**4,167**	**1,233 or 43%**

By all measures the government's spending increases are at an unsustainable level: more debt financing, blow out capital budgets, ballooning ministerial expenses as well as overall increases in consolidated revenue spending. The government must not forget that its previous fiscal fortitude is largely responsible for the sizable surpluses that we are reaping today. Now is not the time to veer off the proven path of fiscal restraint, as many governments do in their second term. There is still much more work to do to keep us sustainable and to keep the economy growing.

As a first step to curb the spending binge, the CTF recommends that the government restrain its capital spending plans and keep ministerial spending constant or, at maximum, to the rate of British Columbia's consumer price index (CPI).

Officers of the Legislature

The CTF recommends the government approve all budgetary increases requested by the offices of the Auditor General, Ombudsman and the Information and Privacy Commissioner. These legislative officers perform important public duties that enhance transparency and accountability of government and require adequate resources to fulfill these crucial roles.

As officers of the legislature, the auditor general, ombudsman and information and privacy commissioner (OIPC), serve as a check on government. Each office is independent, impartial and acts according to the public's interest—not for the government of the day. It is critical that each office receive the adequate level of resources required to fulfill their respective duties for the benefit of the public and government.

Over the past few years, workloads for the officers have increased, while resources have shrunk. The auditor general, ombudsman and OIPC have all had 35 per cent budgets cuts. Meanwhile, funding for what the government refers to as 'legislation expenses' such as caucus support services, Members' services and the Speakers' Office are getting a 12 per cent increase this year. In each of their budgetary submissions this year, the officers noted increasing difficulty performing their basic functions due to limited resources.

I. Auditor General

The auditor-general ensures that government presents accurate and comprehensive financial statements, measures the effectiveness of government programs and provides remedies to problematic areas in the management, administration and expenditure of public monies. The auditor promotes transparent financial reporting and serves as an in-house watchdog for the interests of all taxpayers.

Even with a modest increase this year, the auditor general's budget is sitting at 1996 levels. Adjusted for inflation alone, the budget would increase to $8.9 million instead of the current $7.6 million. Staffing levels have remained constant despite enhanced workloads. In his budget submission, the auditor general explicitly notes that he has been unable to examine many important aspects of government due to resource limitations. At a time when government discretionary spending is on the rise with 2010 Olympic projects, capital spending and corporate welfare programs, it is more important than ever that the auditor general have adequate resources to perform his duties.

The CTF recommends the government approve the Auditor General's funding proposal of a $1.3 million increase for 2006/7 and subsequent increases of $1.1million for 2008 and 2009. The Auditor General succinctly notes in his budget submission the important work of his office:

> [Our] Office provides the Legislative Assembly with a strong means for holding government to account for how it delivers almost $41 billion in programs and services to the people of British Columbia. No other organization in the province provides the same type of independent and objective assessments on the accountability and overall performance of government.

II. Ombudsman

The ombudsman's office investigates complaints and makes recommendations regarding government administrative unfairness. In this year's budget submission, the office describes itself as "one of the key institutions in a democracy for ensuring the provision of open and accountable decision-making."

The ombudsman also faced a 35 per cent budget cut over three years. In this year's submission to the finance committee the ombudsman outlines the measures the office took to meet the reduced budget including: "closing the Vancouver office as a public access office, sharing space and services with the Office of the Police Complaint Commissioner (in both Victoria and Vancouver) and the Office of the Information and Privacy Commissioner (in Victoria), reduction in staff (from 50 full time equivalents to 32)." As a consequence of such drastic resource reductions, over 500 complaints filed with the ombudsman have been declined or deferred due to limited resources.

The office did receive additional funds this year as an interim measure to help with the backlog of complaints, but the ombudsman notes that "the number of complaints coming to the office still exceeds the capacity to investigate."

The ombudsman performs an important check on government, ensuring that day to day administrative decisions are done fairly and respectfully. His office has the capacity to publicize maladministration and he can recommend remedial measures.

The CTF recommends the government approve the ombudsman request for additional funding of $305,000.

III. Office of the Information and Privacy Commissioner (OIPC)

The information and privacy commissioner's office duties are largely set out in three statutes, *Personal Information Protection Act (PIPA), the Freedom of Information and Protection of Privacy Act (FIPPA)* and *Lobbyists Registration Act (LRA*). In its recent budget submission to the finance committee, the OIPC notes that it's "mandate under the laws we enforce is critical to ensuring transparency and accountability in government and protection of personal privacy and private sectors. The public, public bodies and organizations expect excellence from us and the OIPC needs more resources to meet those legitimate expectations." (page 2).

One of the “New Era” promises made in 2001 was for British Columbia to have the “most open, transparent and democratic governments in Canada.” A key to transparency and openness is the availability of information relating to public policy decisions, government programs and contracts. Despite the 2001 promise, the OIPC’s budget was cut by 35 per cent. The information and privacy office has not only experienced shrinking resources but also significant increases in its jurisdiction. In fact, the OIPC notes in this year’s budget submission it “is facing serious challenges in meeting its legislated duties.”

How can citizens hold their government to account if information is sealed under lock and key? British Columbia may very well have the best freedom of information laws in Canada (which speaks more loudly to the measuring stick than the accomplishments), but if the office charged with carrying out its provisions is stripped of its resources then the law isn’t worth much.

The OIPC has also championed the need for voluntary disclosure, that is, government documents would be automatically available to the public leaving the burden on government to justify non-disclosure. A transition to a policy of voluntary disclosure would certainly ease the administrative and bureaucratic costs of the current system. In the meantime, a substantial increase to the budget of the OIPC is essential to restoring openness and transparency to the provincial government.

The CTF recommends that the government increase the funding available to the OIPC by $266,000 as set out in the OIPC’s budget submission.

First Nations New Relationship Fund

The CTF recommends the government provide a First Nations Relationship Fund accountability report.

In the 2005/6 budget and fiscal plan, the government created a First Nations Relationship Fund. The $100 million Fund is dedicated to help "First Nation and Aboriginal communities to build appropriate capacity to provide effective input and participate in the management of lands, resources and social services." Unfortunately, very little detail has been provided as to what specific measures constitute "capacity building."

All too often, taxpayers have watched well-intentioned dollars go to ill-defined programs that produce few results for those most in need. Furthermore, the First Nations New Relationship policy was developed behind closed doors, with no public input and by some accounts, cabinet input. Government approaches that encourage certainty and finality with respect to land and treaty claims should be applauded, however, there has been very little to suggest that this "new relationship" is taking taxpayers down that path.

Consequently, the CTF recommends the government provide an accountability report on the First Nations Relationship Fund. The report should provide performance and results based measurements.

2010 Olympics

The CTF recommends the government re-affirm its commitment to limit 2010Olympic funding to $620 million. The CTF further recommends that the provincial government member of the Vancouver Olympic Organizing Committee (VANOC)'s board of directors report to the legislature annually on the management and fiscal practices of the committee including its quarterly financial reports.

The CTF recommends the government enact an "Olympic Transparency Plan" to track all related and/or trademarked 2010 Olympic spending in addition to previously committed capital spending. The CTF also recommends that all capital projects be subject to a rigorous and competitive tendering process, and where possible pursue public-private partnerships.

In 2010, Vancouver will host the Winter Olympics. While putting together the bid for the 2010 Olympics, all the 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, $175 million in security costs, 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.

Together provincial taxpayers will be billed at least $1.251 billion[1] (before inflation) for the "Spirit of 2010." However, the government maintains the capital infrastructure commitments, like the Sea-to-Sky Highway upgrade were already planned expenditures and do not count as Olympic related funding.

In order to clarify the extent of taxpayer funding for the Games, the CTF recommends 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 Commerce Centre, BC Olympic Games Secretariat and the 2010 Business Summit. The report should also provide results based measurements demonstrating value for tax dollars.

The provincial bid included a guarantee by the government to cover any financial shortfalls or cost overruns by the Vancouver Olympic Organizing Committee (VANOC). As a bid partner and contributor, the province has a VANOC representative. The CTF recommends that the provincial member report to the legislature annually on the activities and performance of VANOC. The VANOC member should also provide the legislature with the committee's quarterly financial reports. As the financial backstop, taxpayers have a right to know how the VANOC is managed.

[1] For further details on the government's Olympic spending plan, please see the Auditor General's 2002/03 Report 6: Review of Estimates Related to Vancouver's Bid to Stage the 2010 Olympic Winter Games and Paralympic Winter Games.

Together these recommendations should provide enhanced transparency of taxpayer Olympic funding and serve to keep the public informed and the government accountable on the progress made and decisions taken by the VANOC.

CTF 2004 Supporter Survey

With regard to the 2010 Winter Olympics in Vancouver/Whistler, do you support or oppose the following:

Governments should spend no more than $620 million – the original estimates that surfaced prior to the bidding process.

79%	**Support**
10%	**Oppose**
11%	**Undecided**

Advertising

The CTF recommends a legislated ban on all non-essential government advertising and sponsorships.

It is by no coincidence that government advertising spiked last year—an election year. Total spending on government ads hit $19 million and included 2010 Olympic promotional campaigns that cost taxpayers over $4 million. Other campaigns such as the "Best Place on Earth" series cost millions of dollars and provided no informational or educational purpose.

The public purse should not be used to warm the electorate to the performance of the incumbent government. Voters have a four year record to judge the government's performance and shouldn't be forced to subsidize ads reminding them of the highlights.

Advertising that is informational in scope, such as warnings and updates on SARS, forest fires and other public safety announcements certainly fall within the ambit of essential advertising. Reminding British Columbians that the Olympics are coming in 2010 is outside the scope of necessary and are an absolute waste of tax dollars. Noted below a full 95 per cent of respondents in the 2005 CTF supporter survey agreed that government advertising should be limited to informational purposes.

Public Affairs Advertising Fiscal Year 2004/5

Campaign	Cost ($ 000)
Achieve BC	2,481
Invest Here	3,177
Best Place To Work	3,836
Tourism	4,417
Parks	372
Budget Mailer	434
BC Day	118
Picture BC	137
Labour Day Message	79
Olympic Thanks	56
Northern Development	73
Operational Communications	2,039
Total	17,219
Forest Fires, West Nile	633

A legislated ban on non-essential advertising will ensure that no government, regardless of stripe, will be able to use tax dollars for partisan purposes and will curb election year spikes. The scope of government needs to be re-drawn and advertising campaigns at taxpayers' expense should be the first non-essential item to be chopped.

CTF 2005 Supporter Survey

Government advertising should be limited to informational purposes only?

95 %	**Agree**
2%	**Disagree**
3%	**Undecided/No Answer**

Private Medical Insurance

The CTF recommends the government repeal section 45 (1) of *The Medicare Protection Act* that prohibits the purchase and sale of private medical insurance.

Last year's Supreme Court ruling in the *Chaouilli* case was not only a stinging indictment of the current status of Canada's health system but should have sparked an immediate change in patient rights and choices. Unfortunately, not much progress has been made. Our current single payer system is financially unsustainable and prioritizes bureaucracy over human compassion. Patients should have the right to spend their after tax dollars as they see fit and be able to make health care choices on their own terms.

The *Chaoulli* 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 that, "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 damaging wait lists but also unnecessarily impugns their freedom and ability to choose.

How can this or any other government in Canada morally justify a system that allows Canadians to spend what they want on alcohol, cigarettes and gambling, but prohibits them from spending their own money on needed medical care for themselves or loved ones?

According to Justice Deschamps, "a number of witnesses acknowledged that the demand for health care is potentially unlimited and that waiting lists are a more or less implicit form of rationing." Isn't it time to recognize that rationing as a means of distribution always fails to meet the demands of consumers, whether it is with health care or food?

The Supreme Court concluded that the Canada Health Act does not prohibit private health care services and that a prohibition on private medical insurances "is not necessary to guarantee the integrity of the public plan."

Given the court's findings, there is no justification for British Columbia to maintain such a prohibition and every reason to repeal it.

British Columbia always leads the country when it comes to reform and innovation. With this Supreme Court ruling, the provincial government has been handed an extraordinary opportunity to once again take on a leadership role by repealing section 45 of *the Medicare Protection Act* and ending the prohibition on private medical insurance.

Choice

> The CTF recommends the government introduce legislative changes to allow greater competition in the provision of auto insurance and liquor sales

During the first round of restructuring, the government announced that two questions would guide all decisions: should the government be doing this? And, if so, is this the most effective way to do it? The insurance and liquor monopolies are good examples of a few questions that were left answered. The government should at least allow the private sector to compete if it is unwilling to let go of the reins.

One of the many promises the Liberals 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 its basic and optional insurance products. 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, ICBC is fortifying its monopoly.

There have been countless polls and surveys that show British Columbians want to have a choice for their auto insurance needs. 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.

According to a recent CTF study, choice swelled for consumers in Alberta once liquor competition was introduced, 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. currently 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 BC government has held a monopoly over liquor sales since 1921, its time to hand the reins over to the market where pricing, product and service are competitive.

CTF 2004 Supporter Survey

Which of these Crown corporations/agencies, if any, do you feel should be privatized and/or made to face competition? (Respondents could make more than one choice).

59%	BC Liquor Stores
53%	ICBC