A Blueprint For Balance

2013-14 Pre Budget Submission
British Columbia Select Standing Committee on Finance & Government Services

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan, advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers organization. Today, the CTF has more than 79,000 supporters from coast-to-coast.

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

CTF offices field hundreds of media interviews each month, hold press conferences, utilize social media like twitter, facebook, youtube and our own blog, as well as issuing regular news releases, commentaries and publications to advocate on behalf of CTF supporters. The CTF's flagship publication, The Taxpayer magazine, is published four times a year. Action Update emails on current issues are sent to CTF supporters regularly. CTF offices also send out weekly Let's Talk Taxes commentaries to more than 800 media outlets and personalities nationwide.

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

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

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Introduction

A distressing political and media narrative has developed in British Columbia in recent months as the province struggles to emerge from the 2008 world fiscal meltdown. Some pundits, elected officials and reporters have started to suggest that balanced budgets aren't really that important for government to pursue every year.

This is short-sighted and just plain wrong.

A balanced budget is imperative to the fiscal future of British Columbia.

It's been too long since B.C. was in the black—posting four consecutive deficits for 2009-10, 2010-11, 2011-12 and 2012-13. Even if you subscribe to the theory (which the Canadian Taxpayers Federation does not) that budgets should only be balanced through a business cycle—not year to year—the time has come for B.C. to post a surplus.

B.C. Budget Year End Results 2005-2013, in millions of dollars

2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
$2,986	$3,977	$2,746	$128	($1,864)	($249)	($1,840)	($1,140)

Posting a deficit in 2013-14 would obviously hurt the government politically. In the 2011 B.C. Liberal leadership campaign, both Premier Christy Clark and Finance Minister Michael de Jong spoke eloquently on the need for balanced budgets.[1] **"We also are committed to balancing the budget in 2013/14 or sooner and have a spending plan in place to get us there. Once the budget is balanced, we will consider a combination of measures to reduce debt and lower taxes,"** said the Premier.

The Finance Minister was even more passionate: **"At times, I have felt like I was the only candidate in this leadership race talking about the deficit and the need for balanced budgets."**

We note he reinforced this message in his charge to this committee: **"I and the government remain committed… to presenting a balanced budget. We are struggling to balance the budget, and the discussion revolves around challenges involving admittedly hundreds of millions of dollars. Virtually every other jurisdiction of note is struggling with problems that flow into the billions of dollars, and I'm not even sure which term they use for south of the border now. It's not easy getting there, and it won't be easy crossing the finish line… spending levels are not likely to increase much beyond where they're at today."**[2]

Rest assured the minister is not alone in his desire for a balanced budget. A budget deficit isn't some paperwork. It's a conscious desire by a generation of elected officials to spend a future generation's money. It

[1] http://taxpayer.com/sites/default/files/2011_LEADERSHIP_CANDIDATE_QUESTIONAIRE.pdf
[2] http://www.leg.bc.ca/cmt/39thparl/session-4/fgs/hansard/N20917x.htm

means we are taking economic prosperity from our children and grandchildren and using it to meet our own needs. It is the height of selfishness.

We see this today in the debt we already have to service. Six cents of every dollar the B.C. government brings in goes directly to interest payments. That makes our tax dollars worth less—we get less value out of them. As debt servicing costs rise, our children will get even less value out of their tax dollars. It's a vicious and unfair cycle.

A balanced budget remains the preferred option of the majority of British Columbians. An *Angus Reid Public Opinion* poll[3], commissioned by the CTF earlier this year, showed that 53 per cent of those surveyed wanted the Province to balance the budget.

POLL QUESTION: Thinking about British Columbia, which of these statements comes closest to your own point of view? The Provincial Government should…

	B.C.	GVRD	Island	S.Interior	North
…balance the budget	53%	53%	50%	53%	63%
…increase spending	26%	25%	31%	23%	24%
Not sure	21%	22%	19%	24%	13%

With that in mind, the Canadian Taxpayers Federation offers one overarching priority to the Standing Committee on Finance and Government Services—**balance the budget this year.** This is job one, as so much of our future economic prosperity will be built on the prudent fiscal decisions we make today. To get to that balanced budget, the CTF is pleased to present 14 recommendations in four areas—taxation reform, spending reform, Crown corporation reform and legislative reform.

The deficit can be eliminated—and not by raising taxes. It will take more tough choices by government and hard work combing through billions of dollars of expenditures. It will take a new level of diligence from public servants willing to shrink their own fiefdoms to find potential savings. It will take serious, cross-ministry discussion among staff at all levels to find common ground and services that could be delivered cooperatively for less money. It will take a philosophical shift from spending money on expensive executives and managers and putting those resources into frontline workers.

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[3] Poll conducted between March 16 and 18, 2012, by *Angus Reid Public Opinion*. The online survey was of 804 randomly selected British Columbia adults who are *Angus Reid Forum* panelists, with a margin of error of +/- 3.5 per cent.

British Columbia's economic climate is already shaky—the carbon tax makes the province less competitive than other provinces and U.S. states. The loss of the Harmonized Sales Tax will add more cost to most businesses looking to locate or expand here. Busting out of deficit budgets is a great way to turn that story around. It will signal to investors that B.C. is growing and willing to make the tough choices to ensure economic prosperity. Industries that may be attracted to lower tax jurisdictions will take another look at B.C. for the stability it offers. In a world full of borrowing governments, a profitable B.C. will stand out.

Key Recommendations

PRIORITY #1: BALANCE THE BUDGET THIS YEAR

TAXATION REFORM

1. Kill the carbon tax
2. Eliminate the Medical Services Premium
3. Negotiate a better deal on Equalization
4. Rein in municipalities and regional districts

SPENDING REFORM

5. Eliminate the Pacific Carbon Trust
6. Eliminate the Childhood Education Fund
7. Launch health core services review
8. Put every program under the microscope

CROWN CORPORATION REFORM

9. Don't back down on BC Hydro and ICBC review recommendations
10. Quit giving Crowns and government agencies power over their competition
11. Open discussion on ICBC and Liquor Branch privatization

LEGISLATIVE REFORM

12. Keep B.C.'s *Balanced Budget and Ministerial Accountability Act*
13. Bring in a *Debt Reduction Act*
14. Bring in a *Compensation Equity Act*

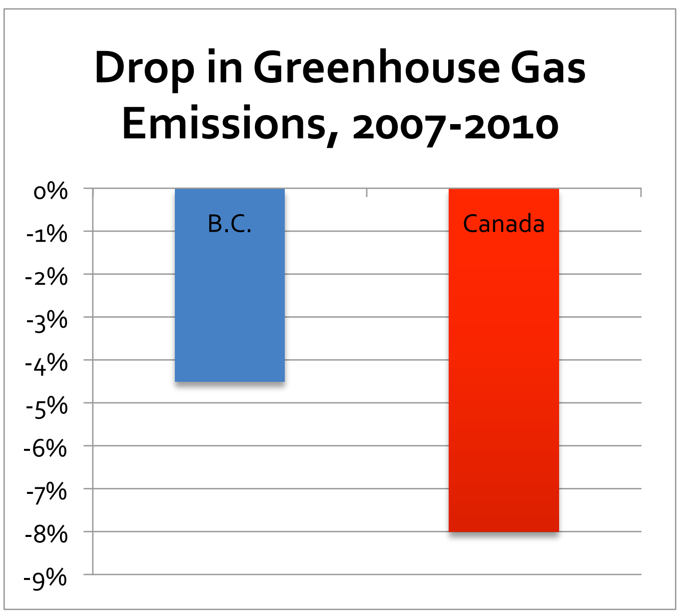
Taxation Reform

No tax system is perfect, and British Columbia's certainly is no exception to that rule. A number of reforms are needed to make B.C. taxes fairer for all of its citizens. The most important is to scrap the punitive carbon tax, which has become a significant drag on B.C.'s economy and has been rejected by every other jurisdiction in North America.

RECOMMENDATION #1: KILL THE CARBON TAX

Earlier this year, the CTF made the following recommendation[4] to the provincial government's review of the B.C. carbon tax:

That the Government of British Columbia immediately repeal the B.C. carbon tax, including all revenue neutrality tools, if necessary to balance the provincial budget.



British Columbia's carbon tax has been a polarizing public policy ever since its introduction in 2008. It has divided the province, pitting rural and suburban residents against their urban neighbours. It has caused increases at the gas pump, on heating and electricity bills, on BC Ferries fares, at the grocery store and elsewhere. And it has failed to accomplish its goal: gasoline sales are up[5] and even B.C.'s environment minister has admitted that the province's climate policy has had a negligible effect on B.C.'s greenhouse gas emissions[6]—far less than the global recession did. In fact, B.C.'s carbon emissions fell 4.5 per cent from 2007 to 2010; during the same period, Canada's carbon emissions, without a carbon tax anywhere but B.C., fell 8 per cent.[7]

When it was first introduced, it was announced that the carbon tax would be "revenue neutral." Politicians beamed at this fact, assuring British Columbians it would cost them no more under this new taxation system. This blunted some of the criticism—for a while.

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[4] http://taxpayer.com/sites/default/files/kill_the_carbon_tax_8-13-2012.pdf
[5] http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/trade37c-eng.htm
[6] http://m.theglobeandmail.com/news/british-columbia/economy-plays-key-role-in-bc-meeting-greenhouse-gas-targets/article4375930/?service=mobile
[7] http://ec.gc.ca/ges-ghg/default.asp?lang=En&n=8BAF9C6D-1#figs1

While the carbon tax has indeed been revenue neutral for government, it has been anything but for average British Columbians. Residents located in urban centres—not surprisingly, where the majority of B.C.'s policy makers and climate action activists live—have generally benefitted by shifting their tax burden on to suburban and rural residents with fewer travel options. Industries like agriculture, manufacturing and resource development have struggled under the burden of yet another tax. It has been a failed experiment in social engineering.

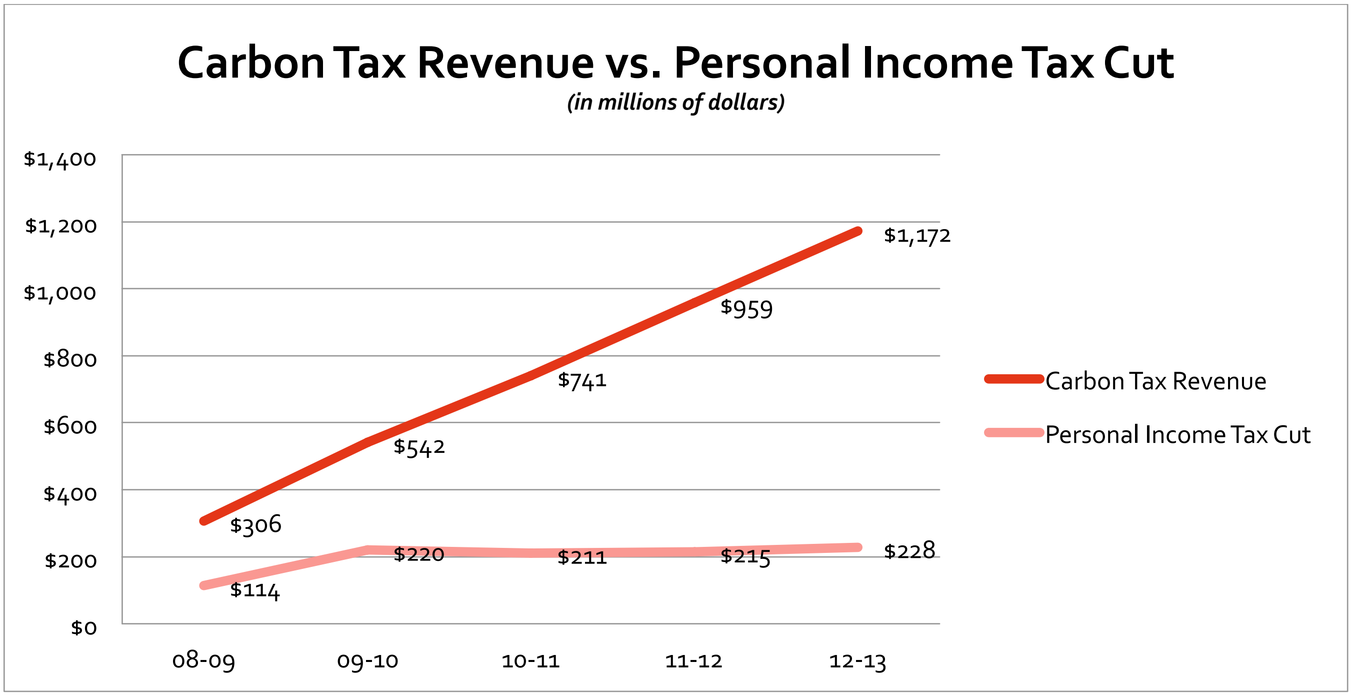
As Kootenay East MLA Bill Bennett told the Legislature earlier this year, **"Government should get rid of the carbon tax as soon as it can afford to do so. When the carbon tax was brought in there were, of course, corresponding tax concessions that were made that will make it difficult for government to terminate the carbon tax. But as quickly as we can afford to do so, I believe, in my personal opinion, that we should do that. In fact, I would go a little further and say that the whole policy regime that's based on the notion that the B.C. government can do something about the amount of human-caused carbon dioxide going into the atmosphere should be rethought."**[8]

The carbon tax's neutrality tools have done little to ease the burden of rural British Columbians. After the initial income tax reduction—a welcome cut now totaling $228 million—it has become a way for government to introduce boutique tax credits. These tax credits include:

- $190 million in a low-income climate action tax credit
- $77 million in a northern and rural homeowner benefit
- $27 million in a seniors home renovation tax credit
- $9 million in children's fitness and art credits
- $3 million in an extended small business venture capital tax credit
- $31 million in training tax credits
- $374 million in corporate income tax cuts (although this is set to be reduced in coming years)
- $225 million in small business income tax cuts
- $71 million in industrial property tax credits
- $2 million in farm property tax credits
- $38 million in digital media tax credits
- A future $81 million credit for scientific research and experimental development
- A future $30 million Film Incentive BC tax credit

While carbon tax revenues have exploded from $306 million in its first year to $1.2 billion this year, the personal income tax cut has fallen as a percentage of the overall take—from $114 million in year one (37 per cent) to $228 million this year (19 per cent). The average homeowner and driver is forced to pay the ever-increasing carbon tax yet they have no ability to access tax breaks like venture capital credits, industrial property credits, research and experimental development grants or digital media credits. The taxpayer is no further ahead and, indeed, feels left behind by having to pay both a carbon tax and increased prices for any good or service moved by vehicle in this province.

[8] http://www.leg.bc.ca/hansard/39th4th/H20430a.htm



Despite the revenue neutrality tools and the clear efforts of government to try and extend other tax breaks to residents outside urban centres, the carbon tax is loathed throughout B.C., especially the rural areas. Many business owners and residents rightly believe it has hurt their ability to keep up with the United States, Alberta, Ontario, Asia and other competitors.

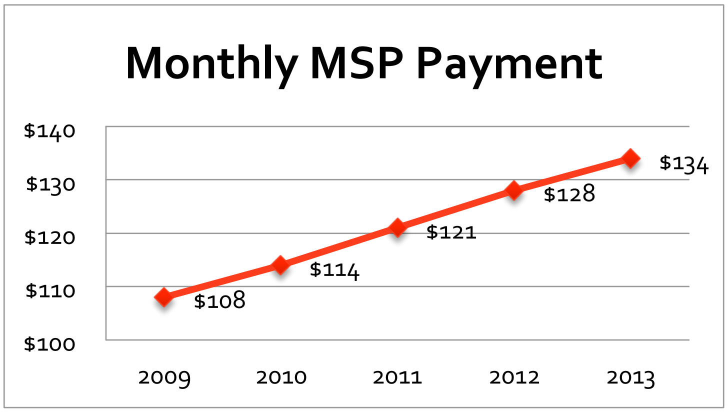
Finally, no nearby jurisdictions have followed B.C.'s lead, damaging our economic ability to compete. With the loss of the HST coming, it is vital B.C. do whatever it takes to keep its economy going. Only by growing jobs will we be able to afford the ever-increasing costs of health care and other social services.

For that reason, the Government of British Columbia should immediately repeal the B.C. carbon tax, including all revenue neutrality tools, if necessary to balance the provincial budget. This would bring immediate relief of seven cents per litre to beleaguered B.C. drivers (The 5 per cent HST is charged on top of the 6.67 cents per litre carbon tax, bringing the true cost of the tax to seven cents per litre) and provide a much-needed shot of adrenaline for our post-HST economy.

While it would be preferable to keep some of the corresponding tax cuts—especially the 5 per cent, $228 million income tax break—the CTF recognizes it is more important to remove the carbon tax and balance the provincial budget next year.

RECOMMENDATION #2: ELIMINATE THE MEDICAL SERVICES PREMIUM

One provincial tax that seems to continually increase is the monthly Medical Services Plan (MSP) premium. On January 1, 2010, MSP for families with children increased from $108 to $114. On January 1, 2011, it went up again to $121, and increased again on January 1, 2012, to $128. And government has already announced another increase to $134 for January 1, 2013. That's a 24 per cent increase in three years—a lot of money for a middle-class family, pushing the annual MSP bill up $300 to $1,608. MSP has increased at a rate 16 times faster than inflation.



Of course, MLAs and public servants don't notice this increase as they don't pay MSP—they are paid by taxpayers on their behalf. But rest assured: it is hurting families in British Columbia. More than $2 billion was collected last year in MSP. That's money sucked out of the economy at a time when it was needed the most.

Economists like to talk about unintended side effects. One nasty side effect of the 24 per cent hike in MSP premiums is the huge hit to the provincial treasury: it's costing a fortune to pay the monthly MSP premiums for MLAs, public servants, health care workers and teachers. Health care and education costs are going through the roof and this is one of the reasons why.

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

RECOMMENDATION #3: NEGOTIATE A BETTER DEAL ON EQUALIZATION

The national Equalization agreement expires in 2014 and have-not provinces—most notably Quebec—are already pouring time and money into research supporting their position that Alberta, Saskatchewan, British Columbia and Newfoundland and Labrador taxpayers should continue to prop up free-spending Canadian provinces. Quebec's 2012-13 budget document included 129 mentions of the word "equalization" and 33 pages on making the case for more money in federal transfer payments.[9] British Columbia's 2012-13 budget had nothing.

It's an issue B.C. must begin to talk about. From 2004 to 2008, B.C. taxpayers paid an average of $356 each per year into Equalization—our tax dollars going to subsidize services in other provinces.[10]

Have provinces, like B.C., Alberta, Saskatchewan and Newfoundland and Labrador need to band together to make the case that Equalization is a broken system that continues to hold provinces back by discouraging them from using their own opportunities to enhance their economy, instead relying on the rest of Canada to foot their bills. This starts with solid research numbers to counteract the Quebec spin, legal opinions on what the

[9] http://www.budget.finances.gouv.qc.ca/Budget/2012-2013/en/documents/budgetplan.pdf
[10] http://www.mowatcentre.ca/research-topic-mowat.php?mowatResearchID=51

constitutionality of Equalization truly is and forming a united position that Equalization needs a significant overhaul and a massive reduction in the transfers made between provinces. If Equalization is to continue, it should at least reflect the comparative higher cost of delivering government services in B.C.[11]

Further, the Equalization system was supposed to provide relatively equal services across the country at relatively equal levels of taxation. When you have $7 a day childcare and the cheapest tuitions in the country in Quebec, funded in large part by the Equalization formula, the system is broken.

Unless Canadians get a handle on the provinces' runaway spending, their growing mountain of debt and the resulting tidal wave of interest charges, we can expect that pressure on well-managed provinces to grow.

Perhaps it's time we learned a lesson from the Europeans. As leaders on that continent brace for the next round of bailouts, they're tightening restrictions on the power of EU members to run annual deficits. Canada would benefit from similar restrictions — such as a constitutional cap on debt and deficits, to prevent profligate federal and provincial governments from borrowing on the credit rating of more responsible jurisdictions.

In March, leaders from 25 of 27 EU member states signed off on a fiscal compact, to go into effect in 2013. Once ratified by 12 of the 25 signatories, the agreement will require EU members, all of them sovereign states, to enact a constitutional ban on deficit spending.

Europe's heavy-handed approach to the debt crisis is to be enforced with severe sanctions: Member nations that refuse to curb their borrowing will be denied access to the trillion dollars of bailout money in the European Stability Mechanism and the European Financial Stability Fund. The European Court of Justice will be required to impose massive financial penalties on governments that refuse to comply.

As Canadians, we should ask ourselves why we're allowing the Ontario government to run a deficit potentially larger this year than the federal deficit, and larger than those of all other provinces put together. We should ask ourselves how 25 formerly warring European nations, speaking 23 different languages, can agree to force balanced budgets on one another, while we're powerless to rein in the borrowing of Prince Edward Island and Nova Scotia.

When you compare the actual debts owed by Manitoba, Ontario, Quebec and the Maritime provinces to their ability to pay, as if they were independent nations, the rest of Canada would be hard pressed to want to pick up the tab. Despite sharing a common currency and sending transfer payments eastward, by the billions, year-after-year, donor provinces have no recourse against have-not provinces that choose to spend and to borrow to such an extent that they threaten the entire Canadian economy.

Canada's federal debt alone sits at a somewhat manageable level: 34% of GDP at the end of 2011. But add in the obligations of provincial and city governments, and Canada's gross general government debt balloons to 84% of economic output, according to the International Monetary Fund. That puts us in worse shape than the U.K., Germany, France and only a few percentage points better than the eurozone, taken as a whole.

[11] http://www.fcpp.org/blog/alberta-and-ontario-must-work-together-to-fix-fiscal-federalism-in-canada/

Compared to the sovereign nations of the eurozone, Canadian provinces enjoy free rein on their finances: They can spend what they want, borrow what they want and run up as much debt as they want, all while enjoying all the benefits of a common Canadian currency, federal transfers and a continental free trade agreement.

All the while, we provide the have-not provinces with annual bailouts — in the form of an elaborate and byzantine system of transfer payments (health transfers, Equalization, infrastructure subsidies and the list goes on). Ottawa sent $15.2 billion in direct transfers to the Quebec government last year, providing nearly one-quarter of Quebec's total revenue. B.C., meanwhile, took in just $7.7 billion in federal transfers, accounting for 18% of total revenue. If B.C. received the same percentage as Quebec, it would have meant an extra $2 billion last year.

In April, Ontario was placed on credit watch by Standard and Poor's, and its credit rating was lowered by Moody's.

And so it is obvious that all this bailout money in the form of transfers isn't helping Ontario, Quebec and the Maritimes balance their budgets, pay off their debts, raise their productivity and boost their self-sufficiency. Ontario's minority government is raising its top tax rate to 49.97%. Quebec has outlawed shale gas production — the same activity that, carried out in Alberta, Saskatchewan and B.C., generates transfer payments to Quebec. Maritime provinces continue to import foreign temporary workers because many of their own residents would rather collect EI benefits 35 weeks a year than work.

Ottawa's costly interprovincial welfare system has saddled productive parts of the country with unnecessarily high taxes, and pushed the rest of the country into a dependency trap, so irresponsible provincial politicians can fund expensive giveaways at election time. We need to turn off the tap on transfer payments, follow the European example and dedicate ourselves to building a debt-free, self-sufficient Canada.

RECOMMENDATION #4: REIN IN MUNICIPALITIES AND REGIONAL DISTRICTS

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

The Canadian Federation of Independent Business reports that municipal operating spending across the province grew four times faster than population growth over the period 2000 to 2009—even when adjusted for inflation.[12] The Independent Contractors and Businesses Association report that municipal workers' wages and benefits are 35 per cent higher, on average, than direct private sector counterparts.[13] Integrity B.C. reports that 116 B.C. municipal employees earn more money than U.S. President Barack Obama's chief of staff.[14]

[12] http://www.cfib-fcei.ca/cfib-documents/rr3241.pdf
[13] http://www.icba.bc.ca/news_media/publications_resources/bc_construction_monitor/documents/ConstructionMonitorFall2011.pdf
[14] http://www.integritybc.ca/?page_id=555

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

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

The provincial government could also act as a resource for municipalities and regional districts—pushing them to identify and embrace best practices from across B.C.

Take Penticton, for example. Faced with a $7 million deficit, Penticton mayor and council undertook an aggressive core services review. Putting senior staff and councillors in a room together for four days, staff were asked to justify every line item in their departmental budgets. Silos and empire-building fell by the wayside as managers identified logical places for departments to work together, costs that were out of line with the rest of the corporation and other cost savings. Management staff was cut by nearly a third. The number of city employees making $75,000 or more a year fell from 75 to 59. And it worked.

In the past three years, Penticton has seen 0, -0.5 and 0 per cent tax increases. Another 0 is expected this year. Penticton has inspired several other communities to follow suit and the province should be highlighting their example further.

No municipality or regional district is perfect, but most have found at least a few innovative, cost-effective ways to differently deliver services to their taxpayers. We need to find, identify and promote these best practices. The Union of B.C. Municipalities, for example, should be encouraged to run workshops and sessions on these ideas, allowing mayors and councillors to gain knowledge on what is happening across B.C.

The provincial government should also formally include local governments and regional districts in its public sector bargaining mandates. Back in 2007, when the last round of CUPE municipal contracts was being negotiated, cities followed the provincial government's lead and paid dearly to ensure labour peace through the Olympics. Back then, the province handed out big signing bonuses and nice raises; the pressure to ensure Olympic peace meant most municipalities ended up with a 17.5 per cent pay increase over five years.[15] Vancouver workers got a $1,000 signing bonus on top of that raise.[16]

The economy was still booming in 2007, so not much was made of the huge pay increases. But when the global economy tanked and B.C. was dragged into the muck with it, the province learned its lesson and went to the highly successful net zero mandate.

Despite following the provincial government's mandate in 2007, municipalities don't seem interested in net zero. Three major factors scuttled any chance of net zero coming to municipalities in this round of bargaining. First, CUPE is a massive donor to mayor and council campaigns. In the 2008 Lower Mainland council elections,

[15] http://www.metrovancouver.org/services/labour/Agreements/Langley_Township-CUPE_403-2007-11.pdf
[16] http://www.canada.com/theprovince/news/editorial/story.html?id=d8bff455-03d3-46b4-846c-dd1c9fc5dc38

CUPE donated more than $700,000 to various candidates[17]—plus distributed labour endorsements to various candidates and slates.

The second hurdle is a very practical, and personal, one. Whereas cabinet ministers generally interact only with non-unionized, senior staff day-to-day, there is no similar separation between councillors and municipal union employees. They see these people every day. Councillors are directly reliant on unionized municipal staff, making it personally difficult to take a hard line against pay raises.

Finally, mayors and councillors are petrified of a work stoppage and the political damage that can occur. When CUPE fought Vancouver in 2007 and managed to message the stoppage as "Sam's Strike,"[18] they didn't just scuttle Mayor Sam Sullivan's political career, they sent a message to every other mayor: don't mess with us.

Net zero—or the current cooperative gains mandate—would be a powerful model to bring to the municipal bargaining table, and save the taxpayers money at both the provincial and municipal level. By including local governments in its public sector wage mandates, the province would prevent its unions from using municipal salaries and raises as a starting point for their own negotiations, and municipal taxpayers would save money on labour.

[17] http://www.vancouversun.com/news/election-donations/internalsearch.html?&cbResetParam=1&PivotAmpersand=CUPE%20-%20Various%20Locals
[18] http://en.wikipedia.org/wiki/Sam_Sullivan#Civic_Strike

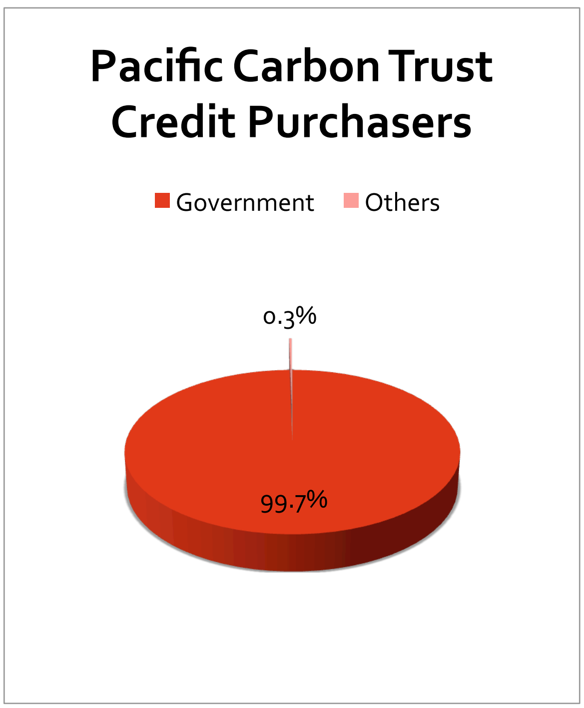
Spending Reform

Budget committee meetings are usually a long, uninterrupted string of requests for more government money for various special interest groups and programs. Bluntly, the CTF rejects that notion—the best thing the B.C. government can do for the economy today is spend less money—balancing the budget and leaving more tax dollars in taxpayers' pockets.

RECOMMENDATION #5: ELIMINATE THE PACIFIC CARBON TRUST

The Pacific Carbon Trust has become frighteningly adept at taking taxpayers' money—$14 million last year—and transferring it to big businesses.

It's time for the provincial government to scrap the Trust, and end corporate welfare disguised as environmentalism. The numbers prove that transferring tax dollars to companies through the illusion of carbon neutrality is a massive failure.



The Trust's latest annual report shows that government agencies purchased 775,825 of the 777,992 carbon offsets sold by the Trust last year.[19] That means 99.7 per cent of the Trust's work was funded by taxpayers.

Only 12 private companies or individuals bought carbon credits last year for a measly $54,050. The rest of the Trust's $14 million budget was funded exclusively by taxpayers, taking money out of our pockets, classrooms, hospitals and social services.

For example, the Vancouver School District was forced to buy $454,824 in carbon credits.[20] The Vancouver Island Health Authority spent $887,926. The Northern Health Authority paid $650,466. Under provincial law, if it was a provincial government agency, it had to become carbon neutral by purchasing offsets from the Trust.

Even worse, taxpayer money flowed exclusively into the pockets of corporations, including some of the largest companies in the province. Lafarge, a $20 billion company, was paid by the Trust for 22,998 carbon credits. Encana, an $8.8 billion company, was paid for 84,276

[19] http://www.pacificcarbontrust.com/assets/Uploads/Corporate-Documents/PCTAnnualReport2012-web.pdf
[20] http://taxpayer.com/blog/08-08-2012/bc-pacific-carbon-trust-costs-add

credits. Canfor, a $2.5 billion company, was paid for 41,573 credits. Other sellers included TimberWest and Interfor.[21]

These companies reduced their carbon footprints through various projects such as switching fuel sources and sold the resulting pollution savings, known as carbon credits, to the Trust. The Trust acts as a middleman, buying carbon credits from private companies with tax dollars. However, there are serious questions about the program, raised by *The Vancouver Sun*, after an investigation showed 22 out of 25 Trust-funded projects would have gone ahead with or without the Trust's support.[22]

The Trust does not publish the cost of purchasing carbon credits from these private companies, only saying it's less than the $25 price tag they put on each carbon credit when they're selling them to various government agencies. At an estimate of $20 per credit, that's almost $1.7 million to Encana, $831,000 to Canfor and almost half a million dollars to Lafarge.

When the Trust was first announced in the B.C. Liberals' 2008 Throne Speech[23], it was promised that it would "foster economic growth from new opportunities… [by attracting] offset purchases from private citizens, companies and other governments alike."

That hasn't happened; the Trust is still a drain on provincial taxpayers—and getting worse.[24] Two years ago, individuals and businesses bought 6,790 carbon credits. Last year, that number fell by more than two-thirds to 2,167.

In a free market, that kind of consumer rejection would be taken as a sign to either radically change the model or get out of the business altogether. But for government, it's just another day at the office.

Government's spring 2012 announcement that $5 million of Trust funds will flow back to school districts to lower carbon emissions won't solve the problem. This will only transfer money from poorer districts to the wealthier ones that can afford capital upgrades. And the fund is still only one-third of the total cost to taxpayers—meaning millions more in corporate handouts in the years to come.

The best solution is the simplest one: scrap the Pacific Carbon Trust and keep our tax dollars out of the pockets of these private companies. While the notion of a carbon neutral government may sound nice on a website, doing it through corporate welfare hurts both taxpayers and the public services we fund.

RECOMMENDATION #6: ELIMINATE THE CHILDHOOD EDUCATION FUND

The Childhood Education Fund is a special account set up by Premier Gordon Campbell in 2007, with taxpayers putting $1,000 into the fund for every child born or adopted in B.C. after 2007. The money generates interest,

[21] http://taxpayer.com/british-columbia/bc-taxpayers-pay-millions-carbon-corporate-welfare%E2%80%94again
[22] http://taxpayer.com/blog/24-04-2012/bc-kill-wasteful-pacific-carbon-trust
[23] http://www.cbc.ca/news/canada/british-columbia/story/2008/02/12/bc-thronespeech.html
[24] http://taxpayer.com/british-columbia/bc-pacific-carbon-trust-must-go

and when those children grow up, they theoretically can access their $1,000 plus interest—it's believed it could be $2,000 or so. But they can't get it until at least 2025.

Buried on page 178 of last year's Estimates blue book, the fund was worth $226 million on April 1, 2012. It was budgeted to grow $13.64 million through operating revenue (presumably interest from investments), along with a $46.7 million transfer from general fund, for a projected March 31, 2013 year-end balance of $286.5 million.

This is bad policy for several reasons. First, it's unfair to children who move to B.C.—it is only for those born or adopted here. If a family moves in with a two-week-old, they are ineligible for the grant, despite paying B.C. taxes for virtually the child's entire life. Second, why put money aside for kids in 2025, when many of those same children are struggling today?

With the provincial government looking to do more with less, it's time to reallocate this $286.5 million, and to quit topping it up year after year.

RECOMMENDATION #7: LAUNCH HEALTH CORE SERVICES REVIEW

If there is one book every MLA should be required to read this year, it's Jeffrey Simpson's *Chronic Condition*. While we do not agree with every idea, Simpson certainly lays out the challenges facing the health care system—and the reality of the service we are receiving.

With health care now consuming 42 per cent of the B.C. budget—and growing annually—taxpayers can no longer afford to simply nibble around the edges of this issue.

We understand this is difficult ground politically. As Simpson writes, **"Canadians are so wedded to the medicare status quo, so fearful of change lest medicare somehow slip away and so ignorant of what other countries are doing that the political risks of candid talk, let alone serious reform, are intimidating… Health care, an extremely complex system that is encumbered with so much national emotion and self-definition, cannot be changed quickly or easily. Nor, as Canadians have seen over the past decade, do large amounts of additional money necessarily buy change."**[25]

Simpson proposes ideas such as a new drug plan for seniors, allowing people to contribute to future drug costs in a manner similar to the Canadian Pension Plan. He outlines the need to offer different health care entry points than just very costly hospitals. And, yes, he suggests more private involvement: **"We are clinging to a system that exists nowhere else in the world. Countries with largely public systems have been shaking up the statist approach for hospitals and doctors, while ensuring that public coverage extends beyond these services to other patient needs, especially elderly ones. That is the trade-off that other countries have made; that is the trade-off Canada needs."**

[25] http://www.canada.com/book+says+medicare+needs+political+leadership+confront+hard+choices/7297779/story.html

Whether you agree with Simpson's proposals or not, British Columbians need to have a larger dialogue about health care and find ways to transform our system to save money—and provide better care. Our current health care system ranks in the middle of the pack, or lower, when compared to other first world countries.[26] While we consistently score better than the United States, that is an exceedingly low bar to get over.

As Simpson wrote, **"Among countries with public systems, Canada is in the top five spenders per capita from public and private sources. But it is far from being in the top five on any international survey on results, whether you measure outcomes, quality of care, wait times, patient satisfaction or other factors."**

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

We can provide better care, and we can manage health care dollars better. B.C. should be a leader in this effort. It is time for a health care services review—work done by an independent, blue ribbon panel of experts—to examine opportunities for cost savings and care improvements. And the first speaker at such a review should be Jeffrey Simpson.

RECOMMENDATION #8: PUT EVERY PROGRAM UNDER THE MICROSCOPE

In 2001, the government dug itself out of deficit by reviewing all public sector programs and asking three key questions[27]:

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

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

This means going beyond multi-billion dollar line items in the main budget document and looking at specific line items of waste or misplaced resources.

In a broad overview, money spent to encourage job creation seems like a great idea. But how that money is spent needs to be continually examined. Just because the word "job" is attached to it doesn't make it a wise investment. For example, the $3 million JobFest tour was an expensive bust.[28] It included a ridiculously

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[26] http://www.theglobeandmail.com/commentary/heres-my-prescription-for-reviving-medicare/article4576368/
[27] Hon. Gary Collins, Minister of Finance, *Economic and Fiscal Update*, Speech to the Legislature, July 30, 2001 (http://www.fin.gov.bc.ca/archive/efu/update_speech.htm)
[28] http://taxpayer.com/blog/14-08-2012/bc-jobfest-case-study-part-2

overdone promotional package. There are many ways to reach young people with employment options—rock concerts aren't conducive to that effort.

A $50,000 grant to celebrate the 100th anniversary of the B.C. Forest Service is another example of waste.[29] But instead of putting that money into something that would actually help either the forest or the service, they spent it on a "tribute in music, poetry and stories" and providing for a tour of the province.

The show started last year but government jumped in with the money to cobble it on to the Service's centenary, with two weeks of shows in Vancouver. Why fund a travelling show when there are so many parts of the Forest Service itself that could use the money?

The decision to not rename B.C. Place Stadium is another example. Not only did the province forgo $40 million from Telus, taxpayers spent $263,000 just to get to the point of saying no.[30] If government was not serious about selling the naming rights, they should have never started the process.

In 2011, Ministry of Finance workers gave each other more than $34,000 in gifts—all funded by provincial taxpayers.[31] This included $544 worth of adventure towels, $4,000 of ceramic mugs, more than $5,500 in Starbucks gift cards, and $3,443 worth of Purdy's "chocolate survival kits."

The provincial government hosted a reception for municipal politicians at the 2011 Union of B.C. Municipalities and spent almost $50,000 on wine and food.[32]

MLA pensions have returned as an issue, as 18 retiring MLAs will share in an estimated $18.6 million lifetime pension payout.[33] Even a simple change, such as capping the maximum annual MLA pension at B.C.'s average household income level ($66,970 in 2010[34]), would save taxpayers more than $2.65 million, just on these 18 retirees. It would also give MLAs the moral authority to reform public sector pensions.

There are many other examples of wasteful spending throughout the system—spending that clearly fails the 2001 test.

[29] http://taxpayer.com/blog/07-08-2012/bc-50000-forest-poetry
[30] http://taxpayer.com/blog/18-06-2012/bc-place-renaming-blunder-cost-taxpayers-263000
[31] http://taxpayer.com/blog/09-05-2012/bc-bureaucrats-gifts-cost-taxpayers-34284
[32] http://taxpayer.com/blog/29-02-2012/bc-first-whine-then-wine
[33] http://taxpayer.com/2013
[34] http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/famil108a-eng.htm

Crown Corporation Reform

Over the past few years, many concerns have been expressed about the spending of B.C.'s Crown corporations and other arms-length government agencies. Scathing reports on BC Hydro, ICBC and BC Ferries have been issued, and public trust in how these companies are managing our money has fallen.

RECOMMENDATION #9: DON'T BACK DOWN ON BC HYDRO AND ICBC REVIEW RECOMMENDATIONS

After the summer 2011 review of BC Hydro revealed a "gold standard" corporate culture, rampant overstaffing, ballooning deferred debt and excessive spending, the provincial government ordered Hydro to get back to basics. The key problem was that Hydro executives saw rate increases—not efficiencies—as the way to deal with budget shortfalls. As the provincial review[35] said, **"The challenge to reduce costs can also be complicated by a culture in BC Hydro where the company strives for [the] gold standard. The regulatory environment and historical management culture supports managing cost pressures through rate increases."**

This was best illustrated by the fact that 99 per cent of BC Hydro employees received bonuses in fiscal 2011 for the company's financial management—despite Hydro reporting a net income of $589 million and operating costs of $706 million.[36] Bonuses should not be handed out when companies are losing money.

BC Hydro has begun implementing many of the changes proposed in the review, but it is imperative that the board and executive team be held accountable by cabinet and the Minister of Energy, and pushed to continue to find efficiencies.

Precisely one year later, the provincial review of the Insurance Corporation of B.C. (ICBC)[37] was released and showed another top-heavy Crown corporation. Despite the fact the number of frontline union employees shrank slightly from 2007 to 2011, the number of managers at ICBC jumped 32 per cent—272 new manager jobs. These managers were some of the highest paid individuals in the public sector; senior management compensation has spiked 70 per cent since 2007, from $12.3 million to $20.9 million.

Five years ago, 14 ICBC employees made more than $200,000. Last year, 54 broke that threshold and the bank.

ICBC says it has frozen management pay in response to the review. That's not good enough; an immediate 15 per cent, across-the-board wage rollback should occur. If managers balk, they should be firmly reminded that ICBC has been ordered to cut 135 management positions by June 2014, and those refusing rollbacks could be first on that list.

This bloating at ICBC occurred during the worst global recession in decades and, along with declining investment revenue and increased claim payouts, led to ICBC raising its basic insurance rates by 11.2 per cent

[35] http://www.newsroom.gov.bc.ca/downloads/bchydroreview.pdf
[36] http://taxpayer.com/british-columbia/how-increased-power-rates-and-deferred-debt-turn-big-bc-hydro-bonuses
[37] http://www.fin.gov.bc.ca/ocg/ias/pdf_docs/ICBC_Review_2012.pdf

this year. As the review says, ICBC's **"culture of cost-containment and financial discipline has been lacking in recent years."**

The review revealed that ICBC uses the Canada Mortgage and Housing Corporation (CMHC), the federal government and the Alberta government to set their pay grades. Inexplicably, they don't use the B.C. government or private insurance companies. This is another good reason for a *Compensation Equity Act*, which would force government to take tough negotiating stands with all public workers and bring their salaries and benefits back in line with those earned in the private sector (see more on the *Act* in this submission's Legislative Reform section).

Government's philosophy of letting Crown corporations operate as monopolies has proven unsuccessful. In lieu of real market forces and competition, the boards exert no fiscal control over senior staff, who inevitably inflate salaries, benefits and staffing levels. With no accountability or competition, ratepayers suffer the consequences of higher costs and reduced revenue to government.

Government monopolies like ICBC need to be constantly monitored by politicians. Better yet, get taxpayers out of the insurance business all together. Studies have consistently shown that drivers in provinces with strongly regulated, but competitive, auto insurance markets pay less for their insurance than we do in B.C.[38] ICBC reduced its optional insurance rate[39]—the only part of its business it has to compete for—this year by 6 per cent.

RECOMMENDATION #10: QUIT GIVING CROWNS AND GOVERNMENT AGENCIES POWER OVER THEIR COMPETITION

The single biggest flaw in legislation dealing with Crown corporations and other government agencies is that these companies are given complete power over their competition. This allows boards and executive teams to act as judge, jury and executioner on any private enterprise that could compete with them. Not surprisingly, we have seen very few competing services gain traction.

It's simply not in the corporation's interest. Why would they risk allowing a competitor to undercut them in price or service? It is similar to a coffee shop having the power over the specific intersection where they are located—they would never allow another coffee to open up across the street.

ICBC, for example, has done everything they can to keep out competing auto insurers. 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 ICBC.

However, the most important provisions governing competition and ensuring a "level playing field" for private insurance providers, (sections 50 and 51) were never proclaimed into law.

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[38] http://www.fraserinstitute.org/uploadedFiles/fraser-ca/Content/research-news/research/publications/personal-cost-and-affordability-of-auto-insurance-in-Canada-2011.pdf
[39] http://www.icbc.com/news/2011dec01-01

In light of rising premiums, rising costs, rising executive bonus levels, large profits and falling customer satisfaction levels, it is time to end the ICBC monopoly. Opening up the basic auto insurance market to competition will create an environment of greater accountability and no longer leave taxpayers to compensate for managerial mistakes.

BC Ferries also has power to veto any competition—and their board and CAO aren't afraid to use it. Quite simply, former CAO David Hahn made sure no private company could ever live up to the standards he set out for competition. Instead of simply looking at safety and legal issues—the only things government should be regulating in a private business, BC Ferries demanded equipment redundancies and financial viability.

In an interview with Vaughn Palmer on February 9, 2012, Hahn admitted alternative service delivery by private operators was **"never going to happen."**[40] He stated that any competitors had to be **"financially viable, meaning your balance sheet has to be willing to stand up in front of ours."** That's a shocking admission, considering BC Ferries itself relies on massive government subsidies and huge fare increases—and is still losing money. Hahn also demanded **"experience"** to run routes. How would a B.C. company have such experience in a province where BC Ferries controls everything?

The truth is BC Ferries had no interest in allowing any competing models. This should be changed to allow any operator to run a ferry service as long as they can prove they will run it safely.

Another example is the inordinate control that B.C.'s Liquor Distribution Branch (LDB) exerts over liquor sales in private stores. Because the LDB has their own network of 197 government stores, it is in their fiscal best interest to make it as difficult as possible for the 1,200 private retailers to make a go of it. Government keeps private liquor store margins razor thin. Yet private sector involvement in B.C. liquor stores results in new businesses, new jobs, and increased demand for store space, business supplies and services, computers, software, coolers, insurance, telephone and utilities, shipping services, vehicle sales and leases, advertising, security systems and real estate.

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

The plan, announced in the 2012-13 budget cycle, to turn one small piece of a government monopoly into a corporate monopoly was a bad idea. British Columbians need to have a broader discussion of the future of alcohol in our province and whether it is a business taxpayers want to continue to control through monopoly—or if it's time to move to a free market.

The LDB generates about $900 million per year in government revenue. This is generated primarily through a markup on the wholesale price, a hidden tax on all liquor. This tax is charged wherever liquor is sold—government or private retailers. However, it costs $300 million per year to run the LDB and those costs rise every year even though the amount of product sold through the LDB has declined. The government could reduce costs and increase choice for consumers by selling the remaining government retail outlets. Private retailers could purchase their liquor supply directly from manufacturers and simply charge liquor tax at the

[40] http://taxpayer.com/british-columbia/why-bc-ferries-has-no-competition

point of sale, much like the HST. It is worth studying other provinces' experiences and having an open, honest discussion as a province.

Legislative Reform

Fiscal responsibility must be the cornerstone of every piece of legislation brought in by British Columbia lawmakers. The laws of our land should be skewed toward ensuring tax dollars are being spent efficiently and effectively.

RECOMMENDATION #12: KEEP B.C.'S *BALANCED BUDGET AND MINISTERIAL ACCOUNTABILITY ACT*

The old adage, "he who fails to plan, plans to fail," should be front and centre when it comes to B.C.'s *Balanced Budget and Ministerial Accountability Act*. While not perfect, provinces—including B.C.—have turned in more balanced budgets when this type of legislation is in place than they have without it. Any suggestion to make it easier for politicians to put us further into debt should send shivers up taxpayers' spines.

This *Act* ensures any government looking to run a deficit is forced through an extra level of accountability. They must go into the Legislature and take questions and criticism from the opposition. Media and advocacy groups bring the issue to the public's attention, and government must provide a plan on when they will be out of deficit. These are important accountability functions.

B.C.'s legislation is unique because it imposes a financial penalty on cabinet minister when government is in the red.

The current legislation docks cabinet ministers up to 20 per cent of their salaries for failing to balance the budget and meeting ministry goals. The current cabinet has taken a pay cut every year the province has been in the red. This is both appropriate and welcome, and gives taxpayers some confidence that our ministers are working to get back in black as soon as possible.

RECOMMENDATION #13: BRING IN A *DEBT REDUCTION ACT*

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

Taxpayers in B.C. deserve a firm commitment to debt elimination. With public debt charges at $2.46 billion—or $6.73 million each day—the government must start taking debt repayment seriously. If not reduced, debt charges will increase to almost $8 million per day by 2014. That's a lot of money that could be spent on other things—or returned to taxpayers.

The government should be commended for getting the provincial debt down to $33 billion in 2006. However, lack of a legislated debt elimination plan has meant an increase in the debt, which is now expected to explode to $66 billion by 2015. That is unacceptable. While B.C.'s triple-A credit rating keeps those borrowing charges relatively low, it is still a cost government should look to eliminate long-term.

Alberta's debt servicing costs once consumed 12 per cent of its tax revenues. But after working through their plan, by Budget 2005-06, virtually every penny of Alberta's provincial tax revenues were available for roads, bridges, schools and hospitals.

As was learned with the Alberta example, a law is required; vague promises don't work. Debt freedom is achievable, but only if legislation is put in place to oblige the government to follow through. After returning to balanced budgets this year, the Canadian Taxpayers Federation recommends the B.C. government introduce a *Debt Reduction Act* similar to Alberta's.

When the CTF pressured Alberta to enact debt repayment legislation, Premier Ralph Klein took our advice. Under Alberta law, 75 per cent of budgetary surpluses were directed toward debt retirement—not election promises, or politicians' pet projects, goodies for supportive ridings, or Crown corporation bonuses. Twelve years later, Alberta taxpayers went from paying $1.7 billion a year in debt interest to paying zero. In 2005, Alberta was out of debt. Alberta politicians had the tool they needed to say no to special interest groups wanting to cut everyone else's pay to pad their own.

If only Klein's successors had stuck to the Alberta plan! Now, sadly, they have slid back into deficit budgets. But the plan worked—everyone credits Alberta's energy for becoming debt free, but that money had to be put aside through debt repayment legislation. B.C. is investing in Liquefied Natural Gas, we have huge resource deposits—we need that same debt repayment legislation, and leaders disciplined to stick with it, to move B.C. out of debt.

Nothing good happens to debt without a plan. As a society, we need to show fiscal discipline. We need proactive leadership to push citizens and the private sector to expand B.C.'s skills and resources and ensure that the value added by our hard work goes to something tangible—debt reduction. We need to ratchet down expectation of government and find innovative solutions that recognize our individual personal responsibility.

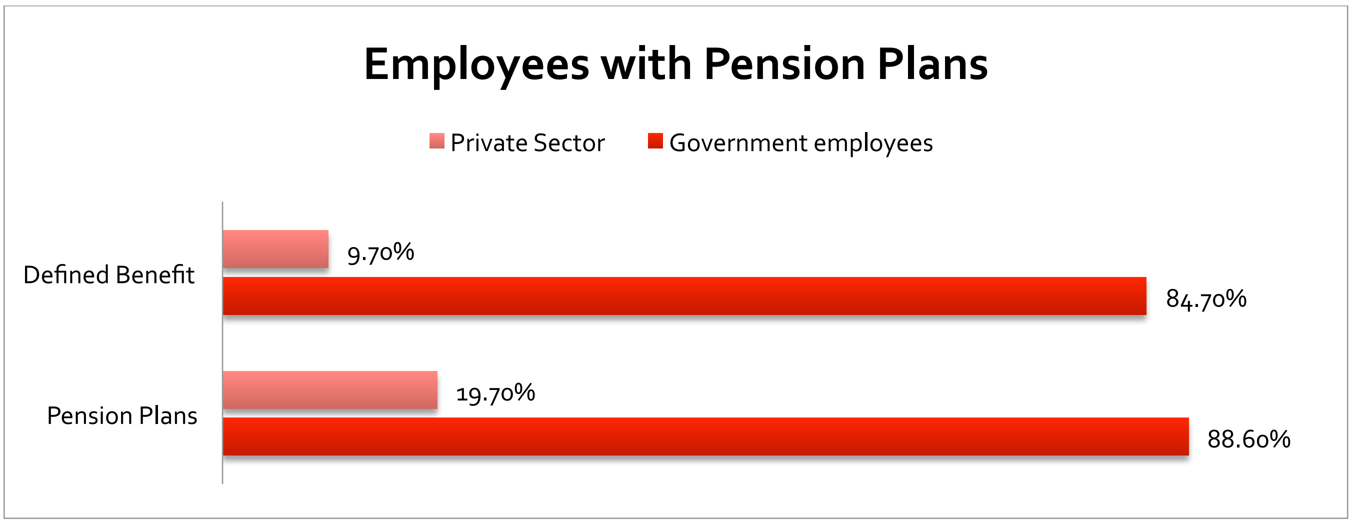
RECOMMENDATION #14: BRING IN A *COMPENSATION EQUITY ACT*

Government employees, in general, get paid more than private sector employees to do the same job. We've seen it over and over again: ridiculous salaries, bonuses and other perks (plus bloated management numbers) at ICBC[41], BC Hydro[42], Community Living B.C.[43], BC Ferries[44], TransLink[45], city halls[46] and the provincial government itself.

[41] http://taxpayer.com/british-columbia/bc-icbc-executives-make-drunken-sailors-blush
[42] http://taxpayer.com/british-columbia/how-increased-power-rates-and-deferred-debt-turn-big-bc-hydro-bonuses
[43] http://taxpayer.com/blog/19-06-2012/bc-clbc-bosses-get-more-money-lieu-bonuses
[44] http://taxpayer.com/british-columbia/new-bc-ferries-boss-has-big-ship-turn
[45] http://taxpayer.com/blog/03-04-2012/bc-top-10-reasons-why-translink-bosses-should-not-get-bonuses
[46] http://taxpayer.com/issues/british-columbia/bc-take-back-city-hall

A government liquor clerk, for example, makes up to $28 an hour when you factor in their pension and benefits. The private sector liquor clerk, working the same job, makes $11 an hour. Various studies have shown that government employees make more than their private sector counterparts.[47]

Salary is just one piece of the puzzle. Pensions are another. In B.C., 88.6% of government employees have a pension plan, compared to 19.7% of private sector employees. Within those numbers, 84.7% of government employees with pensions have the ultra-expensive defined benefit plans, compared to 9.7% of private sector employees.[48]



So while most of us are paying taxes and trying to scrimp and save for our own retirements, public sector employees continue to enjoy guaranteed, expensive pension plans. This is neither fair nor equitable.

A *Compensation Equity Act* would go a long way to solving these problems. It could make it illegal for a public servant to be paid more than they would earn for the same job in the private sector. It could factor in pension as "deferred income," ensuring that taxpayers weren't overpaying twice for the same labour. It could set out salary caps for executives and build a cadre of skilled negotiators who could grind down government union and executive pay and benefits.

The *Act* has public support. An *Angus Reid Public Opinion* poll[49] showed an overwhelming number of British Columbians believe government workers are being paid more than taxpayers can afford and should be brought in line with the private sector.[50]

[47] http://taxpayer.com/issues/british-columbia/bc-fix-bc-public-private-pay-gap-now
[48] http://taxpayer.com/issues/british-columbia/bc-fix-bc-public-private-pay-gap-now

[49] Poll conducted between March 16 and 18, 2012, by *Angus Reid Public Opinion*. The online survey was of 804 randomly selected British Columbia adults who are *Angus Reid Forum* panelists, with a margin of error of +/- 3.5 per cent.

[50] http://taxpayer.com/sites/default/files/Backgrounder%20-%20poll%20results%20on%20pub%20vs%20priv%20pay.pdf

Four in five British Columbians said compensation for government employees should be the same as what private sector employees earned. Almost three-quarters (73 per cent) said they would support provincial legislation—a *Compensation Equity Act*—to ensure governments can't blow the budget on bureaucrat wages.

POLL QUESTION: Taxpayers can't afford to pay more to government employees…

	B.C.	GVRD	Island	S.Interior	North
Strongly Agree	58%	55%	52%	69%	64%
Moderately Agree	20%	22%	23%	14%	19%
Moderately Disagree	11%	11%	13%	11%	11%
Strongly Disagree	7%	8%	8%	5%	5%
Not Sure	4%	4%	4%	2%	0%

More than three-quarters (78 per cent) of British Columbians agreed that taxpayers cannot afford to pay more to government employees. They're right—we should stop increasing wages, benefits and pensions for government employees with borrowed money.