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4TH SESSION, 37TH PARLIAMENT

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Afternoon Sitting

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THURSDAY, MAY 8, 2003

The House met at 2:04 p.m.

Introductions by Members

J. Weisbeck: It is my pleasure to welcome to British Columbia and to our House a distinguished researcher in the field of parliamentary and constitutional law. Joining us in the gallery this afternoon is Ms. Oonagh Gay of the British House of Commons Library at Westminster. Ms. Gay is in Victoria to meet many of our statutory officers and to examine their unique roles and the related topics of accountability and independence of parliament. Would the House please make our guest welcome.

[1405]

Hon. S. Santori: This afternoon it gives me great pleasure to introduce two of my constituents from Trail and Rossland, Mr. Byron Siemens and Brad Dasiuk, both in the insurance business and former competitors of mine. They were very happy that I was elected in 2001. I heard their insurance sales went up 40 percent since I left the area. I would ask at this time that the House to make them feel very welcome.

J. Nuraney: It gives me great pleasure today to introduce my biggest supporter in all aspects of my life, my good wife Gulshan, who has brought with her, her family visiting from India: her brother Salim, his wife Zakia and their son Samir, who will be ten years old in two days. Also accompanying her is her sister Shehnaaz, who lives in North Vancouver. May the House please make them welcome.

J. Les: On behalf of the member for Surrey-Tynehead, it's my pleasure to welcome to the House 30 grade 5 students from Fraser Heights Secondary School in Surrey. They are accompanied today by their teachers, Mr. Tino D'Alfonso and Ms. Sharon Shilliday. They are here touring the buildings today, and I would like to invite the House to please welcome the students from Surrey.

W. Cobb: Today it gives me great pleasure to introduce a group of very hard-working municipal leaders from around the province and particularly from the heartlands. They're here today representing the Council of Resource Communities, and they're here helping us develop the rural strategy. With us we have Mayor Donna Barnett from 100 Mile House; Mayor Colin Kinsley from Prince George; Mayor Ross Priest from Cranbrook; and last but not least, the only Willie Mitchell fan in the House, Gerry Furney.

Hon. R. Thorpe: I'd like to introduce two constituents of mine from Peachland, British Columbia: Dwayne and Dorothy Smith. I'd also like to introduce Jeff Smith from Victoria. Would the House please make them very welcome.

Introduction and First Reading of Bills

FORESTS STATUTES AMENDMENT ACT (No. 2), 2003

Hon. M. de Jong presented a message from Her Honour the Lieutenant-Governor: a bill intituled Forests Statutes Amendment Act (No. 2), 2003.

Hon. M. de Jong: I move that Bill 44 be read a first time now.

Motion approved.

Hon. M. de Jong: I am pleased to introduce to the Legislature today Bill 44, the Forests Statutes Amendment Act (No. 2). The bill amends the Forest Act to deliver on the government's commitment to the defined forest area management model. These changes will enable licensees and the B.C. timber sales program to carry out a coordinated timber supply analysis for their timber supply area.

The Forest Act is also amended to clarify who can hold a road permit and to harmonize the language regarding construction and maintenance of forest roads with the Forest and Range Practices Act.

Lastly, the bill amends the Forest Act and Range Act to strengthen their compliance and enforcement regimes and to harmonize them with that which exists in the Forest and Range Practices Act. These changes will improve the effectiveness of the ministry's compliance and enforcement program.

I move that the bill be placed on orders of the day for second reading at the next sitting of the House after today.

Bill 44 introduced, read a first time and ordered to be placed on orders of the day for second reading at the next sitting of the House after today.

[1410]

FOREST (REVITALIZATION) AMENDMENT ACT (No. 2), 2003

Hon. M. de Jong presented a message from Her Honour the Lieutenant-Governor: a bill intituled Forest (Revitalization) Amendment Act (No. 2), 2003.

Hon. M. de Jong: I move that Bill 45 be introduced and read a first time now.

Motion approved.

Hon. M. de Jong: Mr. Speaker, Bill 45 continues our work on the forestry revitalization plan and its important goal of building and revitalizing B.C.'s most important industry. This bill completes the legislative work required to introduce a more market-based pricing system. Specifically, the proposed amendments to the Forest Act introduced through this bill establish a market-

based approach to tenure allocation. In effect, any future forest licence, tree farm licence or timber sale licence will be awarded on the basis of a competitive bid.

The bill introduces stronger measures to prevent abuses of the market system. For example, it will increase penalties for collusion in timber auctions or for restricting competition in the sale or purchase of logs. It will also establish penalties for submitting inaccurate appraisal data.

This bill will also introduce a new type of tenured licence: the community salvage licence. This licence will deliver opportunities for communities interested in salvage logging — opportunities communities have told us they want.

In summary, this bill delivers on commitments made by this House to ensure a more market-based system. It delivers on our commitments to open up opportunities for more operators in our forest sector. It will allow our forest sector to do what it does best: get the best use out of the public resource and create good jobs and strong communities.

I move that the bill be placed on the orders of the day for second reading at the next sitting after today.

Bill 45 introduced, read a first time and ordered to be placed on orders of the day for second reading at the next sitting of the House after today.

Statements (Standing Order 25B)

B.C. COALITION OF MOTORCYCLISTS

B. Lekstrom: Today I rise to speak on an issue. Today was the annual MLA ride, sponsored by BCCOM. The British Columbia Coalition of Motorcyclists is a professional lobbying organization that works on behalf of all motorcyclists' rights in the province of British Columbia. BCCOM was founded in 1985 by concerned riders who felt that they were facing discrimination based solely upon their mode of transportation.

Since its inception BCCOM has evolved into much more, becoming instrumental in the promotion of motorcycle safety, education and awareness in British Columbia. The coalition has increased the profile of the motorcycling community in both the provincial and municipal levels of government. As well, BCCOM endorses, recognizes and supports all aspects of motorcycling from street and touring all the way to racing and off-road riding.

BCCOM is a membership-driven organization that relies solely on membership dues to maintain a strong voice for the motorcycling community. BCCOM has lobbied and been instrumental in a number of issues. They have lobbied to have motorcyclists included in the high-occupancy-vehicle lanes which are in use. They have also successfully worked with municipalities to have designated motorcycle parking in various areas of the municipalities. They've also achieved the creation and implementation of collector plates for motorcycles in British Columbia. They've helped establish and main-

tain off-road riding areas. As well, they are also responsible for having May proclaimed.... The minister today proclaimed May as Motorcycle Awareness Month.

Presently BCCOM is working on a number of initiatives, which I have the privilege to work with them on. As a motorcyclist yourself, Mr. Speaker, I know you understand the importance of making sure that British Columbians are aware of the safety aspect, particularly when it comes to motorcyclists.

BCCOM is presently working with ICBC on the issue of transferable plates for motorcyclists who may own more than one motorcycle. Many own two or three, from vintage to brand-new. The ability to work with transferable plates has been a very important issue for BCCOM. I'm proud to say that they've met with ICBC, and ICBC is working with them today.

In closing, I would like to thank BCCOM for the work that they do on behalf of motorcyclists. Thank you again, Mr. Speaker.

[1415]

Mr. Speaker: Thank you. It is indeed nice to feel the wind in your hair. [Laughter.]

NEW TOWER AT VANCOUVER GENERAL HOSPITAL

K. Johnston: Today is a great day for health care in Vancouver and British Columbia. Today the Premier officially opened the in-patient tower in the Jim Pattison Pavilion at the Vancouver General Hospital. On hand at the opening were Keith Purchase, board chair of the Vancouver coastal health authority, and Jim Pattison, in whose honour the facility is named.

Fifteen years after construction began, the 19-storey tower at Vancouver General Hospital is now open and will provide 459 new beds and modernized equipment and care facilities for patients. The patient rooms in the tower will be bright, and each one will have its own washroom with shower. Each is equipped with an overhead patient lift.

The designers ensured that the building was flexible and would allow for expansion of network services and increased power requirements in the future. The provincial government announced funding in 1999 to complete the tower as part of a \$156.4 million VGH redevelopment project. At the same time, philanthropist and entrepreneur Jim Pattison donated a gift of \$20 million over seven years to establish a centre for excellence in prostate research.

The completion of this project is a prime example of how government, the health care community, private partners and the province can come together and focus on patient care. The consolidation of services into this facility will enable the health care system to deliver patient services more effectively. This is a tremendous day for patient care in the province and for the residents of my area of Vancouver-Fraserview.

The tower will mark a new phase of health care delivery and ensure greater access to services for thousands of people who rely on Vancouver General Hospi-

tal. All of us in this province owe a debt of gratitude to those who contributed towards this project, including 10,000 staff, 500 volunteers and the charitable foundations of VGH and UBC.

I'd like to thank them for their efforts in putting patients first.

HEALTH CARE SERVICES IN BURNABY

J. Nuraney: As my colleague across the floor says sometimes: "Some more good news in the health care system." We occasionally hear from the naysayers who tell us that our health care system has lost ground since this government was elected. A few weeks ago the Minister of Health Services gave British Columbians a progress report on the picture of health in our province. I would like to weigh in with observations of my own from the community of Burnaby.

I continue to see firsthand a more positive and promising outlook that gives me reason to be confident in the direction our government and the Fraser health authority are heading. On April 25 my colleagues and I attended the opening of a new kind of highly specialized tertiary hospice palliative care unit in the Burnaby Hospital. This unit is the first of its kind in the Fraser health region. It will become the regional centre for patients facing life-limiting illnesses and difficult-to-manage symptoms in Burnaby, New Westminster, the Tri-Cities and beyond.

Just last week I met with the Burnaby Hospital staff, who informed me that the decommissioning of the beds at the old Cascade Residence in the hospital is complete. All patients have been successfully transferred to the new care homes, with little disruption to their lives. Next, after some renovations, Burnaby mental health services will be moving into the Cascade building at the Burnaby Hospital.

Are all our health care issues in our area dealt with? Certainly not. We have a long way to go, but I think in the past year our health authority has made some great strides in making sure the people of Burnaby have access to a health care system that directly meets their needs. We are moving in the right direction.

[1420]

Mr. Speaker: That concludes members' statements.

Oral Questions

PRIVATIZATION OF B.C. HYDRO ASSETS

J. MacPhail: Last fall when we asked the Minister of Energy why he was planning to break B.C. Hydro in two, he didn't say it was because the government was desperate to get debt off-book. He didn't say that it was because the government wanted to make things easier for its corporate campaign backers. He said that if we want to continue to trade in the Pacific Northwest, we have to have transmission separate from generation.

He went on to say — and he said this as recently as this week again — that that was a condition imposed

by the Federal Energy Regulatory Commission in the United States — FERC for short. Well, let me read from a White Paper from the U.S. commission — that very same commission, FERC. It's available on their website. It was published just a few days ago. Let me read what it says: "We will eliminate the proposed requirement that public utilities create or join an independent transmission provider." Now that he can't blame FERC, perhaps the minister can tell us the real reason why he's breaking up B.C. Hydro.

Hon. R. Neufeld: Again, I'll explain it to the member, as I have done quite a few times. We are moving towards the future in British Columbia. We are implementing our energy policy. What we want to do is have clear, transparent rules, regulations and tariffs for our independent power producers that want to generate electricity in the province and actually access a transmission system without having to go to a generator to be able to do that. That is good news for British Columbia and moves us forward.

Secondly, I have always said that it is not a requirement of FERC that we be separate, but it will be in time, and we want to be ahead of the curve on this totally so that we are able to access transmission in the Pacific Northwest so we can sell electricity in the United States and continue that benefit of \$150 million a year, which keeps our hydro rates low for British Columbians well into the future.

Mr. Speaker: Leader of the Opposition has a supplementary question.

J. MacPhail: Well, the minister is actually behind the curve. Perhaps he hasn't seen the document. You're right: it's only a week old. It says here: "We will eliminate the proposed requirement that public utilities create or join an independent transmission provider." They did that last week. Get up to speed, Mr. Minister. At a time when the public utilities across the western states are successfully making their concerns about FERC plans known, when FERC itself is responding to those concerns by changing its requirement so that public utilities don't have to sell off or create independent transmission providers, this minister and this government are blindly rushing ahead with a plan that will break up B.C. Hydro.

British Columbians don't like it. The minister's hiding behind FERC. Will the minister admit today that he's wrong and that FERC doesn't require the breakup of B.C. Hydro, and will he pull the transmission company legislation from the order paper? Or has he not seen the latest information from FERC?

Hon. R. Neufeld: Interesting. We have never said we're going to join an RTO or another independent system operator in the Pacific Northwest. B.C. Hydro has had discussions with the Pacific Northwest RTO since, I believe, 1997 or 1996 under a different administration. I don't know. I remember seeing a letter written by a previous Minister of Energy and Mines, Mr.

Dan Miller, who said, in fact, in his letter that the previous government, which this member was a part of, would be willing to give up control of part of B.C. Hydro.

We have said we're not going to give up control of part of B.C. Hydro in any way, shape or form. What we've said is that we continue to have B.C. Hydro and all its assets, including the transmission assets, within public ownership. We committed to that in the energy policy, and we've done that. We continue with that, and we will move forward with keeping it as a public entity for the people of British Columbia.

Mr. Speaker: Leader of the Opposition has a further supplementary.

[1425]

J. MacPhail: I once heard a radio commentator accuse this minister of not understanding his file. Well, he just demonstrated that.

The joining of an RTO in any way, even if it is necessary, doesn't require an independent transmission provider. That's what FERC is saying now. That's why Manitoba Hydro doesn't have to break it up. That's why British Columbians don't want B.C. Hydro broken up into little bits that can be sold off.

The minister was hiding behind FERC's requirement earlier this week. We have the radio. He said FERC, the Americans, are demanding this independent transmission provider. He's wrong. The western Governors are expressing concerns about FERC. They've been doing the best to represent the interests of their constituents — the ratepayers in their states — against an arbitrary decision process designed in Washington, D.C. Meanwhile, here in British Columbia we have a government and a minister who are rushing ahead to do the bidding of an American regulatory body that has no jurisdiction whatsoever. FERC has....

Interjections.

Mr. Speaker: Order, please. Order, please. Would the member please now put her question.

J. MacPhail: So now that FERC has said that it doesn't have to have an independent transmission provider, can the minister explain to us why he's hoping to sneak this legislation through before May 30, when FERC has changed the rules and says B.C. Hydro can remain whole? Whose benefit is at risk here? His campaign backers? The government's plan to get debt off-book? His excuse for breaking up B.C. Hydro is gone now.

Hon. R. Neufeld: Well, again, the only member in the House that's trying to raise some concerns is the member across the way, who is trying to say that we're privatizing or selling any part of B.C. Hydro. That is blatantly untrue — we have said consistently, consistently, consistently. It's her and her backers that don't

understand a whole bunch of things and want to create fear out there.

B.C. Hydro, in its whole identity, will remain in public hands. The people of the province will continue to own the dams, the transmission and the generation for future generations to come. What the member should do is actually look at what happened in Manitoba. They have functionally separated transmission, distribution and generation. Quebec hydro has done the same. We're doing the same thing. The transmission lines and towers continue to be owned by B.C. Hydro. The business on the lines will be run by BCTC.

AEROSPACE INDUSTRY PROPOSAL FOR KELOWNA

J. Kwan: Residents in Kelowna are very concerned that the provincial government may be passing up an important economic opportunity. As the minister should know, the proposal would see Viking Air establish an operation vacated by Western Star Trucks, generating millions of dollars in economic activity. Can the Minister of Competition, Science and Enterprise tell this House why he's passing on a partnership that would see up to a thousand jobs — new aerospace jobs — in Kelowna?

Hon. R. Thorpe: Our government is committed to ensuring that the aerospace industry in British Columbia has the skilled workers it needs throughout the entire province of British Columbia. I am working in cooperation with the Minister of Advanced Education, and very shortly the minister will be announcing an initiative to ensure that not only do we have skilled workers today for all of the aerospace industry in British Columbia, but in the future we will have all the skilled workers we need to ensure that British Columbia continues to attract and create jobs, attract investment and grow our economy.

Mr. Speaker: The member for Vancouver–Mount Pleasant has a supplementary question.

[1430]

J. Kwan: The minister's dithering on this file. The deadline is days away. He had loads of time to actually get up to speed and move on this. Residents of Kelowna are on board with the plan; the Okanagan University College is on board; the mayor is on board. The federal government is very interested in supporting the proposal, but they need the province to contribute training to make that proposal work.

The Okanagan University College is a natural home for aerospace training. BCIT's aerospace training has a huge wait-list. Why is the Minister of Competition willing to sacrifice thousands of jobs and economic opportunity in the Okanagan just because his government has delayed, slowed, and is refusing to make an investment in education?

Commit today — now, in this House — that he will provide for the training dollars right now.

Hon. R. Thorpe: It's a little galling to have those two members over there talk about the economy and building an investment climate in British Columbia and creating jobs in British Columbia when you two over there single-handedly destroyed the economy of British Columbia. But, Mr. Speaker....

Interjections.

Mr. Speaker: Order, please. Order, please.

Interjections.

Mr. Speaker: Order, please.

Would you please start over, hon. member.

Hon. R. Thorpe: Thank you very much, Mr. Speaker, and let me say that our government is committed to ensuring that the skilled workers needed in the aerospace industry in British Columbia are trained in British Columbia and have employment in British Columbia.

We are talking with OUC, BCIT, Northern Lights, North Island and the manufacturers and producers here in British Columbia. In fact, I am participating in a conference call this afternoon with people concerned with this file. We are working in partnership.

We will not have jobs for power and forest jobs and make all kinds of promises to British Columbians that you could never deliver on. We will ensure that our advanced education facilities produce skilled workers so that our industries can have people employed to do the job here in British Columbia.

MANAGEMENT OF COQUIHALLA HIGHWAY

K. Krueger: Mr. Speaker, like you, I've driven the Coquihalla hundreds of times....

Interjection.

Mr. Speaker: Order, please. Order, please. Order. We will continue with question period when the Leader of the Opposition comes to order.

K. Krueger: She says she's sorry.

Like you, I've driven the Coquihalla hundreds of times, and as you know, many people in Kamloops and Merritt and in our region travel that highway pretty much on a weekly basis. With the changes that were discussed this week, we note that people who drive the highway every week are going to be saving over \$800 a year with the concession that is planned.

It's also delightful to see some of the life-saving improvements that are already underway throughout the heartlands, and we know this is what the money is needed for.

Interjection.

K. Krueger: The Leader of the Opposition, who spent almost as much money on the fast ferries as the

Coquihalla Highway has raised in tolls in 17 years, continues to harangue me.

I'd like to ask the Minister of Transportation what other benefits she sees flowing to the people of our region as a result of the concession that may be put to an RFP.

Interjections.

Mr. Speaker: Order, please. The Minister of Transportation has the floor.

Hon. J. Reid: There are many benefits in our proposal in order to fund the transportation infrastructure we need. It is very unfortunate that the previous government, in their ten years, neglected the roads and the infrastructure so badly, and left a deficit for us to deal with now in a very serious way.

So many of the projects that we're looking at now were already engineered under the previous government — were sitting there and just never funded. So, in looking at the benefits for this, we looked at frequent travellers. As the member says, the frequent travellers pass will mean that people who use the highway frequently will pay far less in the future than they've paid in the past, providing we do this deal. And this deal is contingent on us meeting a bottom line that the province has set.

[1435]

We have got the opportunity through this to invest in transportation infrastructure. For example, in the southern interior alone, over the next three years we're looking at over \$300 million worth of investment.

We're also looking at more travellers on the highway. More travellers on the highway will benefit all the communities from Merritt through Kamloops and Kelowna as well. That's good news for our economy.

[End of question period.]

Reports from Committees

J. Les: I have the honour to present the first report of the Special Committee on the Citizens' Assembly on Electoral Reform.

I move that the report be taken as read and received.

Motion approved.

J. Les: I ask leave of the House to permit the moving of a motion to adopt the report.

Leave granted.

J. Les: I move that the report be adopted.

In moving adoption of the report, I wish to note that the committee has reviewed the nomination of Dr. Jack Blaney as chair of the Citizens' Assembly on Electoral Reform. In fact, the committee interviewed Dr. Blaney this morning and unanimously endorses his

of this model. The reason job protection plans were an integral part of that model was because the trees were a public resource. The reason why he brought this to my attention was because he gets upset when this government talks about 13,000 jobs being lost over the last number of years. Here's what he says: "Yes, there has been job loss, but it has been more to do with corporate downsizing, with the technology replacing workers, the consolidation of the industry, the contracting out of maintenance, the increase of log exports, product substitution and a lack of innovation to moving up the value chain."

All of that is what has caused the job loss, in his view, rather than a failure of the social contract. The reason he points this out is because this government is saying that that social contract put limitations on companies, and, therefore, that's the reason this government is having to rip it up.

In fact, if it weren't for the provisions of the Forest Act that provided for the social contract — gaining public good from public resources — the log export market would be the only business in town. He believes that by repealing the job creation plans, this government is creating unemployment in British Columbia and job creation south of the border.

[1500]

Now, when he explained his view on all of this to me, he said: "It is not as if we can stop companies from technological change or consolidation, but rather than just allowing that to now occur without any benefit from the public resource to British Columbians, we should actually be taking an overall completely different view of how we manage our forests." It isn't just a matter of where we can clearcut now and rely on second growth to provide the same amount of resource as did first growth. This legislation, rather than being forward-thinking at all, is actually allowing the companies to get away with all of the negative impacts that have occurred in communities and still have unfettered access to a public resource.

I thought that was extremely interesting. I put that on the record for the minister in order to allow him to contemplate the point of view of a millworker as we go through this legislation.

My first questions in this area are on section 2, so I shall allow section 1 to pass.

Section 1 approved.

On section 2.

J. MacPhail: Section 2 of Bill 29, the Forest (Revitalization) Amendment Act, actually removes appurtenancy, and it removes other linkages of tenure to production and jobs. Section 14 of this bill provides the specifics on how and when appurtenancy requirements will be removed from licences, but this is the section that repeals appurtenancy.

I actually have some very detailed examples of appurtenancy agreements that I want to go through, but first of all I want to ask a couple of questions about

this. This section repeals section 14(f) of the Forest Act and 35(1)(m) of the Forest Act. That now means — a forest licence is section 14(f) and a tree farm licence is 35(1)(m) — that with the repeal, forest licences and tree farm licences will no longer need to include provisions for the operation, construction or expansion of a timber-processing facility.

That's what appurtenancy is. I know it's a funny word, and it is one that doesn't come naturally to those of us who are outside the industry, but that's what it means. If you get trees, you have to commit to an operation, construction or expansion of a timber-processing facility — and that's gone. Nor will the licence holders now be required, as a condition of their licence, to carry out specified measures to meet the objectives of the government in respect of any of the items referred to in section 13(4) in the instance of a forest licence and 33(5)(a) to (e) in the instance of a tree lot licence.

In sections 13(4) and 33(5) of the current Forest Act we note that the minister must, in awarding a forest licence, consider and evaluate the potential for the licence holder to do the following: create or maintain opportunities and other social benefits; manage and utilize Crown timber; further the development objectives of the government; meet the objectives of the government in respect of environmental quality and management of water, fisheries, wildlife and cultural heritage resources; and contribute to government revenues. That's all gone now. What we have here is the removal of the requirement for those conditions and objectives from the actual licence. They still have to be considered in awarding the licence, and I will get to that in a moment — about what that means.

First of all, I want to review with the minister right now appurtenancy agreements that do exist. We had a bit of this discussion under Bill 27, but I want to actually go through several examples of appurtenancy agreements that exist right now. I want to ask the minister what's going to happen when this legislation is passed and these documents are now illegal.

[1505]

The first one is the forest management licence 1, Skeena. These are actually historical documents. The first one is from the 1940s. I'll just read what it says. "This licence is issued on the understanding that the licensee will build and have in operation on Watson Island, on or before December 31, 1952, a plant designed to produce 80,000 tonnes per year of unbleached pulp, paper or cellulose." That's from the late forties. It's an appurtenancy clause. It's an appurtenancy agreement.

What's the history of it? Well, in 1970 it is again renewed — a forest operations agreement between Skeena Kraft Ltd., TwinRiver Timber Ltd. and Celgar Ltd. It says:

"Whereas Skeena owns and operates two pulp mills on Watson Island, near Prince Rupert, British Columbia, and it or its associated companies operate a sawmill and may in future operate other sawmills or plants for processing wood in the northern area; and whereas for the maintenance of such mills, sawmills and plants

Skeena owns lands on which it must cut timber and rights to cut timber on other lands...."

So there it is. It was renewed in 1970 under an appurtenancy agreement.

It was renewed again on July 10, 1986. It's still tree farm licence 1. It was renewed again in 1998. It says in 1998:

"The Licensee will process all timber harvested under a cutting permit or road permit, or equivalent volumes, through a timber processing facility (a) owned or operated by the Licensee or an affiliate of the Licensee within the meaning of Section 53 of the Forest Act, and (b) equipped to carry out debarking and chipping, unless the Minister exempts the Licensee in whole or in part from the requirements of this paragraph."

That's still in effect.

So what happens? This is an appurtenancy agreement. If this legislation passes, what happens?

Hon. M. de Jong: In fact, it is not any longer an appurtenancy provision, as the member defined in her question. The significant moment — and I am relying upon the information she has provided — apparently occurred in 1998. Again, I'm relying on what the member has related to the House here, but in 1998, based on what she has just provided, that mill-specific appurtenancy provision became a timber-processing requirement. That provision, based on what she has referred the House to in 1998, says that that timber must be processed by that company anywhere.

I'm not meaning to be argumentative, but we should — because there are provisions in this bill that deal with timber-processing requirements.... That is different than appurtenancy, which is a mill-specific requirement. Apparently, in 1998 the government of the day decided there would no longer be an appurtenancy provision in that contract and changed it. So we're talking about apples and oranges to that extent.

R. Lee: May I have leave to make an introduction?

Leave granted.

Introductions by Members

R. Lee: It gives me great pleasure to introduce to the House 27 grade 5 students of St. Helen's School from my riding of Burnaby North. Joining them is their teacher, Ms. Natola, and teaching assistant, Mr. Kamosa, as well as several parent volunteers who have taken time out of their busy schedules to accompany these students, including Mrs. King, Mrs. Renaldo, Mrs. Dube and Mrs. Kavolchuksigh.

I am also pleased to hear that one of the teachers in this school, Mrs. Jussinoja, is also a daughter of the hon. member for Malahat-Juan de Fuca.

Would the House please give our visitors the warmest welcome.

[1510]

Debate Continued

J. MacPhail: Well, I'll tell you. The minister made that argument in Bill 27, and the workers are furious at

him for making that argument. That's why they've provided me with all of this information.

The changes that have arisen in the forest management licence 1 are directly as a result of the appurtenancy clause. These changes would not have been able to take effect or be negotiated unless there was an appurtenancy clause. In other words, the minister is correct that in 1998 the processing could take place across the northwest, but it was as a result of the appurtenancy clause that the company had to agree to this.

That's why when the minister stood up the last time and said, "Oh, that's not an appurtenancy arrangement. Sorry, you're wrong. It doesn't have anything to do with it," the workers immediately called and said that it was only because of the appurtenancy clause that that kind of agreement could be negotiated.

It starts out with an appurtenancy, and that's why I gave the minister the history from the 1940s. The negotiations that result in this tree farm licence are as a result of the appurtenancy agreement, the appurtenancy clause. Yes, the terms have changed. But there would be no requirement to process if there were not an appurtenancy clause. They called in, in droves to make that clear to me, for me to bring up with the minister.

But even given what the minister is saying, then.... Let's call it a provincial appurtenancy clause.

Interjection.

J. MacPhail: The minister stands there and says that it's a timber-processing clause. It's a requirement to produce jobs with the trees, and that's gone now. Is that gone under this legislation?

Hon. M. de Jong: The member is getting all worked up, and she may do that, but I will try to be as candid as I can.

The link that has historically existed between harvesting and then the same company having to process disappears with this legislation. I hope no one thinks I'm trying to be coy about that, because I've gone around this province making that very point. But if the restrictions around the export of that fibre remain as they are, then the logs are there, and they must be processed within British Columbia.

Now, they may not be processed by the same company. The member would say that they may not be processed in that exact facility, but in 1998 the government of the day decided that wasn't a policy they wished to pursue. They said to the company in that case: "You may process that fibre anywhere in British Columbia at a facility you own."

Yes, we have gone a step further, but let's not accuse me of being coy. We're breaking the link that says if you harvest it, you must process it.

J. MacPhail: How will the minister then...? Is the minister somehow saying, then, that he's keeping a provincial appurtenancy clause?

Hon. M. de Jong: The member can describe it in whatever terms she wants. The restrictions around

exporting unprocessed logs remain. The fibre must be processed in British Columbia.

J. MacPhail: Well, no. I'm labelling it a provincial appurtenancy clause. Is that wrong?

Hon. M. de Jong: If by labelling this a provincial appurtenancy clause the member means that the fibre must be processed within British Columbia, then I agree.

J. MacPhail: That will come as a great relief to the workers. I'm not sure it will come as a relief to the companies, because the companies can't have it both ways. We'll just see how that works out. But I will also say that the ability....

I'm sorry. Maybe the minister can introduce his staff.

Hon. M. de Jong: Thanks to the member. On my left, Bruce McRae; on my right, Richard Grieve.

[1515]

J. MacPhail: It will be interesting to see how the minister enforces such a provincial appurtenancy clause when there's nothing in the legislation to demand thus. Now he says — and he tried to do that in the bill we debated earlier — that the fact that there is a requirement to process the logs in British Columbia.... People called in and said: "But everything else has been stripped away, and there is no way to enforce that." Absolutely none. It's a nice, empty statement.

Let me ask about this, then. Here's the tree farm licence number.... Let me just conclude with the Skeena one, then. Skeena isn't operating now. Skeena Cellulose is not operating. Is that correct?

Hon. M. de Jong: That's correct. The only other point I would make, arising out of the member's comment as it relates to log exports, is that that hollow regime that I think the member was referring to is precisely the same one she and her government presided over for upwards of a decade. So if it's hollow now, it was hollow then. In fact, we've just debated a bill where we describe how we're tightening up the definitions around what qualifies for export.

J. MacPhail: I guess the thousands of members that were working up there in the 1990s and aren't now would probably stand up and agree with the minister that nothing's changed. Balderdash. The unemployment rate is 55 percent. It skyrocketed under this government because this government sold the mill to a person without any requirements that he keep the logs in British Columbia and use them — to process them anywhere. So those people who....

Interjection.

J. MacPhail: No, they're not the same terms. The minister allowed the new owner of Skeena to export 35

percent of the annual allowable cut, and that's exactly what they're doing.

R. Harris: No, it's not.

J. MacPhail: That's exactly what they're doing. Well, maybe the member would like to get into the discussion, because it's what the Minister of Forests said the other day. But feel free to get into the discussion and ask, because maybe the Minister of Forests will give you a different answer. But that's exactly what he said. Every...

The Chair: Order, members. Let's address the Chair, please.

J. MacPhail: ...single log being cut now is being exported. It's not up to 35 percent of the annual allowable cut, but every single log that's cut down is being exported. Get in the game, and explain how it isn't happening. Maybe he'll actually stand up and represent the 55 percent of people unemployed in his riding. Maybe he will, because they're the people e-mailing and calling me. They're the people e-mailing me and saying: "Will you raise these concerns?"

Could the Minister of Forests get on top of his file and understand that he made a big change when he sold Skeena Cellulose — a big change — and that's why the men and women up there are unemployed, and that's why they're so upset with his comments. God forbid that they even begin to describe the representation of their MLA.

Selkirk tree farm licence 55. This is from 1992. Timber processing: "The licensee will not close or reduce the production of its timber-processing facility at Malakwa for a sustained period of time unless and to the extent that the licensor or his designate exempts the licensee from the requirements of this paragraph." In 1999 it was renewed. What happens to that?

Hon. M. de Jong: How is it renewed?

J. MacPhail: "The licensee will process all timber harvested under a cutting permit or road permit or equivalent volumes of timber or wood residue, excluding hog fuel obtained directly or indirectly through a timber-processing facility owned and operated by the licensee and an affiliate of the licensee within the meaning of section 53(1) of the Forest Act."

[1520]

Hon. M. de Jong: Again, I'm relying upon what the member is providing, and I have no reason to believe it wouldn't be accurate. Apparently, in 1999 the government of the day decided it made no sense to tie that fibre to a specific processing facility and opted instead to say to the licensee: "You may process that fibre anywhere in British Columbia at a facility you own."

J. MacPhail: Right.

Hon. M. de Jong: Well, we have gone one step further. We have said: "That fibre must be processed in British Columbia, but if there's another facility that can make better use of it and you just don't happen to own it, sell it to them."

J. MacPhail: Well, how do you answer the workers who work for this company, then? Are they just written off?

Hon. M. de Jong: Let me give the member an example of a town and an operation where there is an appurtenancy provision. The mill is shut down. No one's working there. The operators of that mill own another facility. The way they keep that second facility operating is that they take the fibre that is tied to the first one and send it to the second facility. That's how they keep those people working.

To apply the specifics of the appurtenancy laws as they agree now would mean that the government could take that fibre away, and now you'd have two mills shut down. Now, that makes a heck of a lot of sense. The better use of that fibre in this case is actually five kilometres down the road at a second facility, and that's where it goes. It keeps that second facility operating, employing those people. The first facility is still shut down, but if we apply the appurtenancy provisions as they exist today in the way that many people would call for, both mills would be shut down. Well, that's stupid. If the fibre is better utilized at the second facility and those people can derive employment and an income as a result, well, then that's probably what should happen.

I will tell the member this candidly. I don't feel particularly competent to decide, from an office in Victoria, where the fibre should go between two mills located five kilometres apart. Maybe that's the difference.

J. MacPhail: No. The minister is missing the argument the workers are making. A licensee derives benefit from using British Columbia logs, publicly owned logs. The licensee has absolutely no responsibility to use that now, under this minister's legislation, to provide employment within the realm of his or her shop at all. That is true. The workers aren't even going to get the opportunity to move down the road to the second mill that may operate. There's absolutely no obligation on anyone to those workers on a company basis under this new legislation — absolutely none. There's no obligation to provide anything to the community around which the logs were. That's the difference. It isn't what the minister describes at all, the example he describes. What the minister is going to be giving away is any requirement to provide good jobs to people who have committed to that community and to the community itself. They're absolutely gone.

[1525]

I want to read this, on the Selkirk tree farm licence. The minister said: "Oh, that's exactly what we've gone to in 1999 — a provincial appurtenancy." By the way, his legislation is not providing appurtenancy as people

knew it at all. Here's clause No. 15.04: "The licensee will continue to operate and, where applicable, construct or expand a timber-processing facility in accordance with the proposal made in the application on which the award of the tree farm licence replaced by this licence and any predecessor to that tree farm licence was based." It was renewed with the original obligations there in 1999. I read the original obligation, 1992, the Malakwa mill. So what happens to these people now when the legislation is passed?

Hon. M. de Jong: I think there is a significant difference of opinion about how it is that you ensure we can return to a day when we've got a healthy forest sector. There was a time when politicians exerted a tremendous amount of influence in attempting to determine what should happen and where fibre should be allocated. Some of the provisions we are dealing with date back decades and have been utilized with that in mind. The member has heard my opinion on where that has brought us in the year 2003, given a whole range of changes that have taken place — in the world, in British Columbia — and how they have impacted the forest sector in British Columbia.

I am going to make the point, without any expectation that this member is going to be convinced, that we are in a better circumstance when we create a framework in which the fibre can flow freely within British Columbia. This scenario — which some would paint — that as a consequence of the passage of this legislation, mills of the sort the member has described are going to disappear off the map, simply isn't so.

The point is this: the fibre remains. The harvesting continues. Now, the harvesting might be conducted by someone that doesn't own any processing facility, and we have all kinds of that right now. We've got market loggers; we've got contract loggers. They don't have processing facilities. They don't eat the wood. They sell it. They sell it to processing facilities that have been built and that employ people.

So that separation, that severing of the link between harvesting and processing, is, I understand, something that greatly offends the Leader of the Opposition and some of the people for whom she is asking questions. I can tell her that there is a whole other group of people out there who believe it is precisely what needs to be done: processors and loggers — processors that have been existing out there with virtually no renewable fibre whatsoever. And on balance, I will say to the member, they tend to be the most competitive operators out there because they've had to live by their wits to find that fibre.

I'm not going to convince the member. It's appropriate for us to have this exchange and hear the views of people that don't share my own. But again, I want to be as forthright as I can about what the objective is here, and it is to dismantle or sever that historic relationship.

J. MacPhail: In second reading I predicted there would be one supermill, probably in the lower

mainland. And that's exactly what's going to happen by this legislation.

Based on the minister's comments, I am going to return to ask him to comment on the millworkers' view of why the industry has lost the jobs at the beginning. I'll reread it for him. But I want to finish the discussion on these two first, especially since the member for Skeena seems so ill-informed about what's happening in his own community.

[1530]

This tree farm licence 1, which applies to his community, actually has this clause in it: "The licensee will continue to operate and where applicable construct or expand the timber-processing facility in accordance with the proposal made in the application on which the award of the tree farm licence replaced by this licence or any predecessor to that tree farm licence was based." It's an appurtenancy clause. That's tree farm licence 1, which applies to Skeena.

As soon as this government came in, the logs were allowed to be shipped offshore 100 percent — 100 percent. That's why there's 55 percent unemployment, and that's why there wasn't 55 percent unemployment until this government came in.

Interjection.

J. MacPhail: That's why. How dare the member for Skeena try to suggest otherwise? Feel free to get into the debate with those 2,000 or 3,000 people sitting at home because his government got elected. Feel free to jump in.

All I'm trying to figure out is this. Is everything going to be happening like it is now with Skeena Cellulose and the man who bought that licence — that everybody's going to be allowed to do what he's done, which is not create one job anywhere in the province? And what's going to happen to the people at Malakwa?

Here's the other clause from the Selkirk tree farm licence. It's No. 55 again. We've dealt with No. 1 — that there was an appurtenancy clause until this government took over. Here's this. It says this for the Selkirk one: "The Licensee will not close or reduce the production of its timber-processing facility at Malakwa for a sustained period of time, unless, and to the extent that the Licensor, or his designate, exempts the Licensee from the requirements of this paragraph." To date, that hasn't occurred.

There are people who have worked there for their whole adult lives. What happens to them now? What guarantees do they have?

Hon. M. de Jong: The question the member puts suggests to me that she is of the view that the only reason there is a processing facility operating in Malakwa is because of the insertion of a particular clause within the licence agreement. That's fundamentally at the heart of her question — that with the passage of this bill, that mill will disappear.

First of all, I disagree fundamentally with that assertion. People who are in the processing business are in that business because as long as they can continue to

produce a product economically, that's what they want to do. That's the business they're in. In order to carry out that business they have to be able to acquire fibre. At the end of the day, in order to sustain that business they've got to be able to acquire the fibre, they've got to be able to produce the product they produce, they've got to be able to pay their employees, they've got to be able to maintain their equipment, and they've got to be able to sell their product. When they sell their product, they've got to at least be able to cover the cost of all the previous items.

If you can't do that, it doesn't matter what's in the licence agreement because it will go away. There is a litany of evidence of that. If there are people — and there are, and I guess this member is one of them — who think you can ignore that reality by clinging to a set of policies and statutory provisions that ignores the reality of what is taking place out there in communities and within the industry, then that is their view.

It is not mine, because I have seen too much evidence of what has taken place under that existing regulatory framework.

[1535]

J. MacPhail: Could you provide me with that evidence, please?

Hon. M. de Jong: Unhappily, I can, Mr. Chair. It is mill closures in 28 communities; it is spiralling unemployment levels. I can provide all of that information to the member. I would have thought that at least for the term her government held office, she would have had that etched in her memory.

J. MacPhail: I want specifics. How dare the minister stand up and just make a broad statement like that. I want the specifics — where the appurtenancy clause, the social contract, led to a mill closure.

Hon. M. de Jong: Well, in fact, I will provide some specifics to the member about facilities that have shut down and have been subject to appurtenancy provisions. If you are obliged to operate a facility — and I know the member doesn't like to hear this — that can no longer be operated efficiently but are compelled to do so by a set of governmentally imposed policies, then at the end of the day the competitiveness, firstly, of that business and, secondly, of that overall industry is going to be compromised, and that's what's happened.

If the member has gone now almost two years without having reviewed the Peter Pearse report — someone, I might add, I have heard no one describe as a partisan.... In fact, the last time he looked in detail at the B.C. forest sector, it was at the behest of an NDP government. If she would take the time to review what he had to say about the impact of these policies — and I'm happy to send the report over to her — then perhaps she wouldn't have had to ask that last question.

J. MacPhail: Oh God. What are you trying to test — whether I've read the Pearse report? He said 17 mills

would close. I'm asking the minister for his evidence. Dr. Pearse predicted 17 mills would close. I'm asking the minister for his evidence. Dr. Pearse did not relate it to the social contract. He did relate it to changes in timber market pricing, yes. But not to the social contract.

There is a fundamental difference of opinion here. This minister stands and advocates for the forest companies and the forest companies alone, as does the member for Skeena, as does everybody who sits with the Liberals. The forest companies hurrah, and they're fine if there's one supermill in Vancouver. Who knows? It may be in my riding. How does that help the members' constituents from Prince Rupert or the Kootenays or Houston, Quesnel, Williams Lake or Comox? Maybe East Vancouver will rule.

But my point here, on behalf of the working people of the province, is that there was a social contract between the use of a publicly owned resource and the profits of the forest company, and that's gone now. That's being ripped up by clause 2 because the minister says that social contract impeded the profits of the industry. That's what he said.

[1540]

In fact, he couldn't care less how many mills move around, how many people lose their jobs. He told me that the other day when I asked him about the Canfor consolidation and the closure of mills. His bureaucrats didn't know anything about it; he didn't know anything about it. He didn't know that there were going to be a couple of hundred people laid off — net — because he doesn't care, because Canfor is still happy. But the communities and the workers are left behind, abandoned. I'm asking the minister for evidence that the social contract impeded the forest companies' ability to be profitable. We will get into specific questions later on.

I opened up my comments with a millworker's analysis that said the job loss over the years had to do with corporate downsizing, technology replacing workers, consolidation of the industry, contracting out of maintenance, increasing log exports, product substitution and a lack of innovation moving up the value chain — not the social contract. I didn't ask the minister for a reply. Maybe he could reply. He's watching; the millworker is watching.

Hon. M. de Jong: If I'm going to provide an answer directly, I may have to ask the member to re-put the question to me.

J. MacPhail: This millworker says that this government is accusing the social contract — the social contract being appurtenancy, cut control, notice of mill closure — as being the villain in the downturn of the industry, the loss of jobs. I asked the minister for evidence of that, and he said he'd get it for me. He referred to the Pearse report, and that is not the link the Pearse report makes. This millworker is saying it is not those factors.

These are the factors that led to it. The 13,000 jobs lost had to do with corporate downsizing, technology

replacing workers, consolidation of the industry, contracting out of maintenance, increasing log exports, product substitution, a lack of innovation moving up the value chain.

Hon. M. de Jong: In fact, what I'm saying is a couple of things.

First of all, when you impede any business's opportunity to respond and adjust to significantly changed circumstances — surely, no one is suggesting that this industry hasn't been confronted by some changed circumstances — that is a recipe for disaster. Is it the only feature at all? Is it the only feature that has contributed to the decline of this industry? I don't think so. I think the fact that we have to compete now with products supplied by parts of the world we never had to compete with has had an impact. I think market conditions have had an impact. I think decisions that have been made around land use have had an impact. I think our need to get on with resolving first nations issues has had an impact. I think all of these things have had an impact.

It is interesting, when I consider that the decline the member referred to in her question in fact began to accelerate at the very time the previous government actually ratcheted up the social contract, because that's what the jobs and timber accord was. It was an amplification of that very strategy. Ironically, all of those ill effects, all of those negative consequences that the member has referred to, began to occur and accelerate within a regime that actually represented an enhanced social contract.

[1545]

So is it the only thing that has contributed to our forest sector's inability to perform at levels we all want it to perform at? No. But it has, in my view, surely contributed to our forest sector's inability to perform at levels we all want it to.

J. MacPhail: Boy, everybody is at fault except the forest companies' management themselves, according to this minister — everybody. He continues to rail about the previous administration. Whatever. He won the election, and things have gotten in a decline like we've never seen before in the industry. I guess maybe, based on his logic, we can only blame the Liberal government for the decline.

I put questions to him from a millworker that were absolutely legitimate about whether he has looked into the corporate restructuring, about the changes that have occurred in the industry. Rather than attack the social contract, accept that as the changes that have occurred. No, what this minister does is try to blame politicians of the past and a horrible social contract that now, with its removal, will attack the workers and the communities. He's willing to leave the corporate entities, who perhaps themselves have been responsible for the job losses, completely off the hook — leave them completely off the hook.

Of course, we don't have an answer for the people who work at the mill at Malakwa. We just simply don't have an answer. If the day this legislation passes that em-

ployer decides to leave town, knowing that this contract they were under is now null and void, I guess the workers will just have to say: "Oh well, whatever. Thank goodness that the company is profitable. We've lost our jobs. Our communities lost the jobs, but the company's fine."

By the way, these are appurtenancy agreements, and they do exist. I'm happy to be able to bring them to the attention of the minister, because he said that they didn't exist. Here's one: Boundary Creek forest management licence No. 8, original 1951.

"This licence is given for the maintenance of a manufacturing plant or plants capable of utilizing subject as hereinafter provided not less than 1.5 million cubic feet of wood per year, provided also the said manufacturing plant or plants shall be maintained in operation on the licensed area or within a distance of one mile of the highway between the town of Kettle Valley on the west and the town of Eholt on the east.

"This licence shall be appurtenant to the licensee's mill or plant as provided in clause 2 hereof, and not less than 80 percent of the annual or periodic saw log cut shall be processed in the licensee's mill or plant unless permission in writing is given by the minister to process less than 80 percent. Such permission, if given, shall not extend to a period of more than one year under any permit" — 1981.

It was renewed in 1980, and it was added that they had to give not less than three months' notice if there was going to be any reduction in capacity of timber, but pursuant to the original licence. Tree farm licence renewed, 1995. "The licensee will process all timber harvested under a cutting permit or a road permit or equivalent volumes through a timber processing facility (a) owned or operated by the licensee, (b) equipped to carry out debarking and chipping."

It's got clause 16.04, standard back in those days: "The licensee will continue to operate and, where applicable, construct or expand a timber-processing facility in accordance with the proposal made in the application on which the award of the tree farm licence replaced by this licence or any predecessor to the tree farm licence was based."

[1550]

What happens to those people? I'm sorry. It was renewed again in 2000 — exactly the same.

Hon. M. de Jong: I'm probably better equipped to answer the question if I either obtain or receive from the member a copy of the 2000 renewal.

J. MacPhail: I'll read it word for word. Tree farm licence No. 5, renewed March 1, 2000, timber processing.

"The licensee will process all timber harvested under a cutting permit or road permit, or equivalent volumes of timber or wood residue excluding hog fuel, obtained directly or indirectly, through a timber-processing facility owned or operated by the licensee or an affiliate of the licensee within the meaning of section 53(1) of the Forest Act, unless the minister exempts the licensee in whole or in part from the requirements of this paragraph.

"15.02. If the licensee (a) intends to close a timber-processing facility or reduce its production or (b) has reason to believe that an affiliate of the licensee within the

meaning of section 53 of the Forest Act intends to close a timber-processing facility or reduce its production for a period of longer than 90 days, the licensee will give the minister at least three months notice prior to the closure or reduction.

"15.03. If (a) the licensee or (b) an affiliate of the licensee within the meaning of section 53 of the Forest Act closes a timber processing facility or reduces its production for a period of longer than 90 days, the licensee will, on request of the minister, provide information regarding the volume of Crown timber processed through the timber processing facility during the 24-month period immediately preceding the closure or reduction in production level.

"15.04. The licensee will continue to operate and, where applicable, construct or expand a timber processing facility in accordance with (a) the proposal made in the application on which the award of the tree farm licence replaced by this licence or any predecessor to that tree farm licence was based and (b) the revisions, if any, to that proposal."

Hon. M. de Jong: I'm obliged to the member for reading it in its entirety. To the extent that one could argue that a mill-specific appurtenancy provision exists there — and by virtue of the final clause, I think someone could argue that, although it tends to fly in the face of the earlier part of the document — that obligation will no longer exist if this legislation passes.

J. MacPhail: What happens to the people who work there?

Hon. M. de Jong: Nothing, I expect.

J. MacPhail: What if the company wants to close the mill? Can they do it overnight? What happens to the workers who work in the mill, if the company closes operations?

Hon. M. de Jong: I expect that they would be entitled to either the severance provisions or other provisions of the contract that guides their relationship with their employer.

J. MacPhail: I guess we have people relying either on employment standards, if they're non-union, and, if they're union, their collective agreement. The company gets the trees and the profit. The community gets nothing, and the workers get nothing.

The reason I'm reading these into the record is because the minister said, I think, during our debate on 27 that there weren't appurtenancy agreements left.

Interjection.

J. MacPhail: Well, we can certainly check. The minister said there were none left, and when I brought two to his attention, they said: "Oh no, those aren't appurtenancy agreements. They arose out of negotiations from getting out of appurtenancy."

[1555]

Mackenzie-Cariboo forest management licence No. 5. Again, it was established in the 1950s. It says: "The

forest management licence may be referred to as the Mackenzie-Cariboo forest management licence No. 5. This licence is given for the maintenance of manufacturing or plants capable of utilizing subject as hereinafter provided, not less than 1.5 million cubic feet of wood per year, provided also the said manufacturing plant or plants shall be maintained in operation within a radius of five miles of the town of Quesnel or on the licence area or within ten miles of the boundary of the licence." It was renewed in 1980 and 1995, and again it was renewed in 2000 — exactly the same language as I just read into the record for Boundary Creek.

[H. Long in the chair.]

Tell me, Mr. Chair. I have had dozens of tree farm licences. I'm wondering whether the minister can tell me how many such agreements that I just read into the record apply to how many tree farm licences, because we're ending these agreements. What we're doing right now is debating the ripping up, the declaring null and void of these contracts. I have tree farm licence 1; we've already dealt with that. We've dealt with 5, we've dealt with 8, and we've dealt with 55. So here are the ones that are left: 3, 6, 10, 14, 15, 18, tree farm licence 19, 23, 25, 26, 30, tree farm licence 33, 35, 37, 38, 39, tree farm licence 41, 42, 43, 44, 45, 46, tree farm licence 47, 48, 49, 52, 53, 54, 56 and 57.

Hon. M. de Jong: The information I have indicates that with respect to major replaceable licences, and by that I am including both TFLs and forest licences that carry a combined AAC of about just under 51 million cubic metres, approximately 2.1 million cubic metres have mill-specific appurtenancy clauses.

J. MacPhail: Mr. Chair, could he just repeat the last part of that, please?

Hon. M. de Jong: To the member, the last figure I gave was approximately 2.1 million cubic metres.

K. Manhas: I seek leave to make an introduction.

Leave granted.

Introductions by Members

K. Manhas: I have the pleasure of introducing to this House 24 kids from Maple Creek Middle School in Port Coquitlam. They are students from the Tri-Cities of Port Coquitlam, Coquitlam and Port Moody, and they're here with 23 kids visiting from their twin school of Miramichi Rural School in New Brunswick. They've been twinned together as part of a YMCA youth exchange program. Those of you who have a little bit of knowledge of New Brunswick politics will recognize that Miramichi was the home riding of the past Premier of New Brunswick, Frank McKenna.

Miramichi is a school of 75 kids from kindergarten to grade 8, and 23 of them are here visiting today. I'd

like to make a welcome to Principal Bill Campbell from their school and to Laurel Whatley from Maple Creek Middle School. I'd also like to recognize the parents who have done a lot of work to pull this together. It's been, specifically, Jane Gibbons and Monica Foster who have worked tremendously hard to organize these trips and organize all the activities. I'd like to thank both of the communities who fundraised to host each other through things like clothing drives and spaghetti nights and other innovative fundraisers. So thanks to work of the parents and students and their communities and the generosity of those communities, all these students have the ability to have this wonderful experience.

[1600]

Would the House and all the members please welcome the students from the Tri-Cities and please make the students from Miramichi, New Brunswick, very welcome.

Debate Continued

J. MacPhail: I want to concentrate on, as an example, the Boundary Creek forest management licence, licence 8, because I think we're finding out very quickly that this document — the minute this legislation is passed — is ripped up. It's tossed aside; it's outlawed. So I want to work on what the effect of that is.

The minister makes the argument that once this is gone, the forest companies can take what I would call the easy way out. They can leave the communities, abandon the communities, and take the fibre with them. There's no longer any obligation at all on the part of anybody to extract from the companies an effort to work within the community to obtain efficiencies. What happens to the mills attached to TFL 8 when this legislation arrives? Does he know what mills are going to shut down?

Hon. M. de Jong: The question suggests that a mill in a particular area is destined for closure, and I'm not certain that is correct.

J. MacPhail: Now, this TFL 8 has 1.5 million cubic feet of wood per year attached to it. Well, no. The original one was 1.5 million cubic feet. The minister says there's only.... I'm sorry. Did you say there's only 2.1 million cubic metres of wood tied to appurtenancy clauses? Is that what you said?

Hon. M. de Jong: The data I have is that licences with enforceable mill-specific appurtenancy provisions capture just over 2.1 million cubic metres of fibre.

J. MacPhail: Well, I've already tabled appurtenancy arrangements that I think exceed that by quite a bit, so I'm not sure where the minister is getting his figures. This one alone is 1.5 million cubic feet. I understand that, but I just tabled the other one too. The Mackenzie-Cariboo is exactly the same amount, and so are a cou-

ple of the others that I tabled. I think the minister is underestimating the importance.

Well, anyway, let's carry on with just the forest management licence 8. In it, clause 16.04 says: "The licensee will continue to operate and, where applicable, construct or expand a timber-processing facility in accordance with the proposal made in the application on which the award of the tree farm licence, replaced by this licence or any predecessor to that tree farm licence, was based." The original one was that you had to be within a certain geographic area: one mile of the highway between the town of Kettle Valley on the west and the town of Eholt on the east. We may look on this as old-fashioned and charming, but it's a legal document.

[1605]

Does the minister have any information about what mills are currently operating in TFL 8? Surely, with the ripping up of a contract, a legally binding contract, the minister would understand the implication or know the effects of the implication of making that contract null and void.

Hon. M. de Jong: I can certainly obtain the information as it relates specifically to the TFL. I'm going to suggest to the member that in terms of assessing the impact of the legislation, whether one is for it or against it, the contract is not null and void. The legislation does — and in particular the section the member referred to earlier, the section coming up later in the legislation — impact a specific clause of some of those agreements, but the agreements are not null and void.

J. MacPhail: Well, then, have there been discussions about, for instance, the Aspen planer mill in Merritt? Is it part of the TFL? Riverside mills, Kelowna, Princeton — part of the TFL? They are operating in TFL 8, and they will be affected by the tearing up of this contract. I can't see anything in the legislation that does anything except make this contract null and void. Or else perhaps the minister could tell me what discussions his ministry has had, according to this contract, about closures.

Hon. M. de Jong: I know the member is not purposely trying to confuse. My information is that the mills involved in TFL 8 are located at Midway and Grand Forks. The companies she has referred to — again, my information is that they are not involved.

J. MacPhail: Have there been any discussions about the future of those mills?

Hon. M. de Jong: I happened, on a recent trip through Grand Forks, to visit one of those facilities, and the very short conversation I had related to their desire to access more fibre so that they could continue healthy operations.

J. MacPhail: Is the minister saying that to the best of his knowledge, there will be no change as a result of this legislation in the TFL No. 8 mills?

Hon. M. de Jong: With respect... Again, I am relying on information I haven't verified, but based on the discussion we've had thus far, I'm aware of no information and have had no indication that operations would alter or change as a result of the passage of this legislation.

J. MacPhail: Well, that's interesting. I was asked to ask that question specifically by the people operating in TFL 8, so we'll see. I would like a list of the TFLs that have enforceable appurtenancy contracts, please, making up the 2.1 million cubic metres.

Hon. M. de Jong: I can obtain a list for the member and will do so.

J. MacPhail: Okay, I would appreciate that. Clearly, if the minister has come up with a figure of 2.1 million, the list must be readily available. I would appreciate that before we conclude the debate on this legislation. That gives them the weekend to do that.

Interjection.

[1610]

J. MacPhail: That's exactly... No, no, you've got plenty of time, believe you me, through you, Mr. Chair — plenty of time.

On clause 2. I said that this clause eliminates issues the minister must consider in awarding a forest licence. I'll re-read those into the record, because I have some questions based on that. Prior to this bill they would have had to consider: to create or maintain employment opportunities or other social benefits; manage and utilize Crown timber; further the development objectives of the government; meet the objectives of the government in respect of environmental quality and management of water, fisheries, wildlife and cultural heritage resources; and contribute to government revenues.

Those have been removed, but they still have to be considered. There's nothing mandatory about it, but the minister will consider them. If that's still in there, I assume there must be some validity or necessity to the consideration. So why are they no longer to be part of the licence?

Hon. M. de Jong: The first thing I think I would like to offer in response to the member is that I'm not sure if I either heard her incorrectly or she is, perhaps, slightly mistaken. The original legislative provisions that are being dealt with here provided the ability for the Crown to invite applications built around certain criteria, and if the invitation... The way those sections worked is that if the Crown availed itself of that opportunity and listed those various items as criteria for consideration, then the act logically required that the decision-maker must take those issues into account. It did not compel the Crown to include, in every instance, those criteria. But if it did, in advertising the opportunity, then they had to be weighed in terms of the decision that followed. The member will know, again, that the direction we are in-

tending to move to is access to timber built around a competitive bid model, and that is ultimately the model that we intend to operate under.

J. MacPhail: All of those discussions were carried out under the auspices of the legislation, though. I want to ask specifics about this. If you look at 14(f) of the current Forest Act, it refers back to 13(4), which requires those factors to be evaluated, including its potential for each application.

Interjection.

[1615]

J. MacPhail: Oh. Sorry, Mr. Chair. Yeah, if they're advertised, except that these TFLs have been around for a long time. Perhaps the minister could explain the distinction.

Hon. M. de Jong: I wasn't intending to interrupt the member. The distinction I was endeavouring to make earlier and just a moment ago was that each offering around access to timber, each licence opportunity, did not necessarily include all of these criteria. It was an option available to the Crown. If it did form a part of the tender criteria, then the person making the decision around the various bids had to assess those bids taking those criteria into account.

I actually sought some information and haven't received conclusive information, but it has been many, many years since a new licence opportunity has been offered on the basis of the terms set out in 13 and 14.

J. MacPhail: Well, I have no idea whether that's the case. I have all of my evidence here that I'm giving to the minister that does include appurtenancy, for instance, which arises right out of these clauses. I keep asking the minister for the evidence he has on this matter, and I await it.

So is the minister saying these objectives are still important?

Hon. M. de Jong: What I'm saying and acknowledging is that in the future, timber will be awarded on a purely competitive basis.

J. MacPhail: Is there nothing in this legislation that says the minister must consider these objectives? Are they gone completely? I thought I read the legislation to say that the minister must still consider these factors.

Hon. M. de Jong: I want to be as forthright as I can with the member. There are criteria listed there. One of them relates to the return to the taxpayer via government revenues. We've indicated pretty clearly that that is going to be the determining characteristic. In subsequent legislation that will be made even clearer.

J. MacPhail: Will there be any consideration at all about development objectives of the government? Is it just revenue-based?

[1620]

Hon. M. de Jong: With these exceptions, the answer to the member's question is yes. Those exceptions would be the continued partition in favour of the value-added sector that will exist within the timber sale program, the expanded community forest program and the efforts we are making with respect to better incorporating and involving first nations in the forest economy. With those exceptions, though, it will be a system built around the competitive bid process.

J. MacPhail: I'm sorry. I didn't footnote my notes here. I thought there was something in here that said that the government will consider social objectives. Am I misreading it? My apologies, Mr. Chair. I don't have it footnoted.

Hon. M. de Jong: If it helps the member, I think she might be referring to (4)(a) within the section. As I've indicated earlier, by virtue of subsequent legislation, it will be made clear that the determining characteristic is price, with the exceptions that I referred to a few moments ago.

J. MacPhail: Where is it — or is it nowhere — that employment objectives are talked about at all with the use of the public land? I noted the minister said that he'd been up in the TFL and that he'd been talking to people and that he was satisfied that it didn't look like anybody was going to be shut down. He basically has argued vociferously today about why I would be so suspicious to think that any mill would shut down.

Is he out there discussing employment objectives? What other TFLs has he gone into, to discuss employment objectives?

Hon. M. de Jong: Constructively, to the member, I think we're talking about TSAs as opposed to TFLs when we talk about getting out in the various areas.

Yeah, we're talking about creating a future and employment. The difference is, of course, that we are going to rely to a greater extent than we have in the past on the ingenuity and entrepreneurial drive of those involved in the forest sector and remove some of the impediments that have been placed in their path and existed in their path of late. I'm not going to be shy about acknowledging to the member right upfront. If anyone is looking in this legislation for the equivalent of a timber-for-jobs provision, they're not going to find it. That's a very different way of managing the resource.

A previous government in another time said: "Your access to the resource that government controls is going to be contingent upon you promising the government to do certain things." It didn't work. What happened after the fact, when these bids would come in, is that one person would say: "I'm going to create 30 jobs." Another person would say: "I'm going to create 50 jobs." Someone else said: "I'm going to create 75 jobs." The contract went to the person that said: "I'm going to create 75 jobs."

Three years later it turns out they only created 20 jobs. The two people that had other bids feel ripped off because the person didn't fulfil the obligation, and the government's hands are tied because if you take the timber back, the 20 jobs that the person did produce go down the toilet.

That is a strategy for how you manage the public resource. I happen to think it is an unworkable one. I happen to think it is an unfair one, but others disagree. I hope no one is going to suggest that I am, again, trying to hide the fact that specific references that say to people: "Your access to the timber is tied to your ability to convince the government that you're going to produce X number of jobs...." Those provisions don't exist in this legislation, and to the extent that they have existed, they don't exist any longer.

[1625]

J. MacPhail: Well, then, is the government aware of any information about what changes in employment will occur as a result of this legislation? I mean, we do have the Pearse report.

This minister, when he was in opposition, used to talk about 13 mill closures. The Pearse report talks about 17 mill closures. I guess when the Premier loves to talk about his only indicator of success in this economy being the creation of jobs, it's somebody else that gives him that information. What information does the minister have about employment changes as a result of this legislation, or does he not care?

Hon. M. de Jong: In the long term, we believe this industry is going to revitalize itself and that there are going to be additional job opportunities — perhaps different opportunities than what have historically existed, and opportunities in the value-added sector. They may not be opportunities of the historical variety and primary breakdown facilities, but we think that through a diversified fibre flow and an expansion of the opportunities available for participants to get involved in forestry, those employment levels are going to return to where they once were. That's the objective. That's why one embarks upon an exercise like this.

J. MacPhail: My God. Talk about having his head buried in the sand. The only information recently about consolidation around mills is loss of jobs. The only effect of mills consolidating and wishing to do so.... I mean, I heard David Emerson say this, I hear Jimmy Pattison say it, and I used to hear Ike Barber say it — he's retired — that we need this freedom so that we can "consolidate." Of course, consolidate is a fancy word for job loss.

Let me ask the minister: does he have evidence of job creation as a result of this? Are there some studies or projections that he's got?

Here's the crux of why I'm asking these questions. If there's no jobs and timber accord, what do we get for these changes? What do the citizens of British Columbia get in exchange for giving their publicly owned resource to the timber companies, to the forest companies?

I asked the minister for the stumpage revenue projections. I don't have those. Let's have some evidence of

the benefits to British Columbians and not just the benefit to the forest companies.

Hon. M. de Jong: It is an interesting proposition to suggest that the forest is being given to certain major licensees as we debate legislation that is taking away 20 percent of their licence entitlement. Again, I am baffled by the assertion that as part of a package that actually takes away 20 percent of their timber-cutting rights and redistributes it to community groups, to first nations, to smaller operators, that is — for this member, apparently — the equivalent of giving it to those major licensees. That's the first observation I would make in respect of the member's submission.

The second is this. I can't help, when I listen to her, but think of that antiquated view of forestry that she appears to embrace. Forestry for her represents nothing more than a primary breakdown mill. Drive up the Island. Look at them sitting there empty. If that is your notion of measuring success in forestry, how many people are employed in a mill that saws 2-by-4s?

[1630]

Well, then, I guess you might conclude that this isn't your preferred package. But that's not my notion of forestry in British Columbia. My notion of forestry is creating a structure that will allow for the maximizing of the value of the timber. If that means sending a particular type of fibre to another value-added facility.... You know, I've got a facility in Abbotsford of all places — the second- or third-largest employer with almost 400 employees. It's a forestry company. It makes doors and windows. No one even knows it's there.

Those people make good money. They have skills. They employ the latest in technology. But you know what? They don't make 2-by-4s. If the measure of success is how many people in British Columbia are sawing 2-by-4s, well, then that's the member's measure. It is not necessarily mine.

Indeed, technology has had an impact on the numbers of employees it takes to produce that product. No one in their right mind would deny that. Do we wring our hands and ask ourselves how to insulate ourselves from that? We tried that in the past. I don't think it's worked. I think what we need to do is get on with creating a structure that will foster some of those other opportunities that are out there. But that's me.

J. MacPhail: Is that the discussion the minister had with the IWA for the last year and a half?

The Chair: Shall section 2 pass?

J. MacPhail: It's interesting that the minister doesn't want to answer that question. He likes to get up and sort of rant and rave about something that isn't even what we're discussing. Absolutely nothing. Then he refuses to answer the question about the very people who are going to be affected by this.

All I'm asking the minister is: what is British Columbia getting for this breaking of the social contract? Not jobs. Fair enough. We have no idea what the

stumpage revenue is going to be. The minister can't provide that. He's had a few days to do that and hasn't been able to.

So all I'm asking is: what do we get? What do British Columbians get for giving this publicly owned resource to companies? It's publicly owned. The minister stands up and tells some story about Doorland, which we all know about.

Hon. M. de Jong: It's not Doorland. Don't make accusations — okay?

J. MacPhail: Oh, okay. I love Doorland.

Interjection.

The Chair: Order.

J. MacPhail: I love Doorland.

The Chair: Order.

J. MacPhail: I don't know what the minister's getting so upset about.

The Chair: I think we should address the Chair, please.

J. MacPhail: Well, put the company on record. I don't know what he's getting so upset about, Mr. Chair. Doorland is in his riding. It's a very successful company. It's exactly as he described. Good on them. I mean, stand up and tell it.

Hon. M. de Jong: You don't like them.

J. MacPhail: What I don't like are the horrendous implications for working people in this province that are going to occur because of this government's legislation, without any answers about what's going to happen to their future. That's what I don't like. That's exactly what I don't like.

In fact, that was the kind of discussion the minister did have with the IWA for the last year and a half. He delivered nothing for them — absolutely nothing. I have no idea what he's talking about, going up and down the Island — about mills shut down. They've shut down under his jurisdiction. We don't have a resolution to the softwood lumber dispute and nothing in sight. I feel just as badly that his government caused the closure of those mills as anyone.

This legislation is only going to exacerbate this problem unless the minister can tell British Columbians the benefit they get out of this legislation. That's all I'm asking — not the benefit to the forest companies and their bottom line, but the benefit for the working people and the communities.

Now, the effect of the repeal of section 71 is that there will no longer be a loss of tenure when the mill closes. The company gets to keep the timber. It doesn't have to have any requirement to process the logs or to

maintain or create employment. That's what the repeal of section 71 of the Forest Act means.

So now that the companies no longer face a loss of annual allowable cut due to a mill closure, how many mills does the minister anticipate will close?

[1635]

The Chair: I think the committee will recess for a very short time — maybe three minutes. Thank you.

The committee recessed from 4:37 p.m. to 4:46 p.m.

[H. Long in the chair.]

Hon. M. de Jong: Returning, then, to the member's question. The best information that I have been provided around the question as it relates to processing facilities — and that's what we seem to be focused on here for the moment — relates to the information set out in the Pearse report and the overcapacity issues and the antiquated processing facility issue that he identified.

The challenge, of course, is how to attract the requisite levels of reinvestment necessary to change that fact — to replace some of those facilities. Some of them were built, based on my review and information, to service a timber profile that has changed appreciably. Some of them, by virtue of the land use decisions that have been made over the years and particularly the last few years, are perhaps in areas where they shouldn't be any longer. Those are the kinds of decisions that have to be made.

I will confess that I am of the view that government is not the agency that should make them or attempt to dictate the making of those decisions — that there are others involved in this industry who are better equipped to know where a venture stands the best chance of succeeding and have better knowledge of the timber profile and the type of facility that would best utilize that timber profile.

J. MacPhail: Well, I'm curious that it's the Pearse report the minister is relying upon. I recall in days past that the Ministry of Forests knew quite well what the effect of changes was going to be and that they could actually provide that evidence on a facility-by-facility basis. I also know that the minister has been having meetings with industry to discuss this legislation. Has there been no discussion, or what discussions has he had about changes in facilities?

Hon. M. de Jong: Well, the member is right. I've had extensive discussions around the province with harvesters, stakeholders, communities, first nations and members of the processing community, large and small. I have to tell her that no one has said to me that as a result of what you are talking about, we are expecting to shut down facility X, Y or Z. I've had in the last month — and I've referred the member to this — a number of operators on the processing side tell me about either their plans or the concrete steps that are

underway to expand their facilities, whether it's in Prince George or elsewhere around the province.

[1650]

One should be, I think, responsible in assessing what is driving some of that activity. In the Prince George area, as well, we've got a proliferation of beetle wood that is also impacting on decisions that businesses make in the harvesting sector — whether it's Brink or Cheslatta, — though anecdotally, that is the information I am getting.

But the member already raised the lingering unresolved softwood lumber dispute. There's certainly, with respect to that single issue even, a degree of uncertainty out there, and we haven't even talked about lumber prices, which are at exceptionally low levels right now.

J. MacPhail: I'm actually not referring to the minister travelling around the province. He had a committee of business people from the industry that he was working with about this legislation. There was a committee he had that was going to reduce costs. The labour people were partially involved in that. There was a committee, because he was accused of working behind closed doors and not including the broad spectrum of people who would be affected by this legislation. They were industry people.

So is the minister telling me that he has no idea, except travelling around the province and hearing anecdotes, about the effect of this legislation?

Hon. M. de Jong: I don't know what committee the member is talking about. With respect to coastal restructuring, I think it's pretty widely known we had a group that extended far beyond licensees and far beyond major licensees that we spoke with — contractors, labour. We certainly had plenty of discussions dating back some time to a whole host of issues — some of them reflected here, others not.

J. MacPhail: Yes, that's exactly what I'm referring to, and it was done behind closed doors. They weren't public meetings; it was done behind closed doors.

Is the minister saying he has no studies on anything about the effects of this legislation? Why is he doing it, then? If he doesn't have any studies to prove one way or the other, why do we have this legislation?

Hon. M. de Jong: First of all, the committee the member is referring to was not a government committee. It was a committee struck by the participants in this industry on the coast, who — you know what? — came to the conclusion on their own that they have a cost problem on the coast and that unless they address that cost problem, it really won't matter what government does, because there ain't going to be an industry here.

I applaud them. I applauded them then and I applaud them now for having the foresight to sit down and get together — a lot of historical differences, a lot of baggage there when you put all those people in the

room. But they sat down, and they're trying to work through that. They invited government to be a part of it, and I was happy to do so. So if that is a process that somehow offends the member, well, I'm sorry about that.

J. MacPhail: The minister produced the studies that show the reason why we're moving in this direction and the problems in the past. There has to be some basis for this change — some statistical basis, some forecast basis. Or else why are we here?

Hon. M. de Jong: What is it about a comprehensive study like that produced by Dr. Pearse that the member is so suspicious of? Why are we doing this? Have you looked at the numbers? Have you looked at the impact a decade of decline has had on the industry? Have you gone to some of these towns? The structure this member valiantly tries to defend failed those towns miserably.

[1655]

Why are we here? We're here because British Columbia's number one industry, upon which virtually every community in this province depends, is in big trouble. We'd like to create a structure within which that industry can prosper again. Yes, that is a different approach than a previous government which said: "Well, we're going to fix it, and here's how. We're going to do this, this, this and this, and we're going to direct and dictate that X number of thousands of jobs are created. And, by God, that will happen, just because we said it will."

Yeah, that's a different strategy. You know what? It's probably a tougher strategy. It's a heck of a lot easier to go out and make the political announcement of the decade or the century and say, "This is the proudest day of my life" — as I think the Premier of the day said — "because we're creating thousands of jobs," and then stand back and watch as the thing just goes from bad to worse and refuse to at least consider that perhaps, in a changed world, we have some structural impediments to improving our competitiveness.

That's why we're doing it. Though it might not be the easiest way to respond — it might be easier to hide behind worldwide events and blame others — we think it's time we got on with allowing people involved in forestry to do what they need to do, whether they're contractors, workers, communities or licensees — allowing them to get on with developing in a way that will better equip them to compete on a worldwide basis.

I know this won't be the last time I do it, but in the spirit of being completely forthright with the opposition leader.... Do I see a day ten years from now where there are companies in British Columbia that simply own timber and don't have a single mill? Yes, absolutely. They'll own the rights to that fibre on a Crown-owned land base. You know what they'll do? They'll harvest it and they'll sell it.

I've got another prediction: I bet they'll sell it to the highest bidder. And I've got another prediction: I bet

they'll sell it to the highest bidder, and the highest bidder will be the person that can maximize the value out of that timber. You know, I think that's a good thing. I think it is a far better thing than watching a particular dynamic continue that shows no hope whatsoever for all of those communities which are dependent on forestry in our province.

J. MacPhail: I can understand why the minister wants to revert to bombast rather than study. Is he suggesting that this legislation arises out of the Pearse report and nothing else?

Hon. M. de Jong: No.

J. MacPhail: Well, I asked for studies. He said: "Does the member not think the Pearse report is a good study?" What studies is this legislation based on besides the Pearse report? And what projections have been done as a result of these changes based on the studies the minister has done?

Hon. M. de Jong: Well, look, confronted by a situation that could only be described as very, very poor in the forest sector in 1991, we commissioned someone that I think enjoys a great deal of respect around British Columbia and beyond our borders to conduct a diagnosis, with no preconceived notions.

J. MacPhail: Who?

Hon. M. de Jong: Dr. Pearse.

J. MacPhail: Oh. You said 1991.

[1700]

Hon. M. de Jong: I'm sorry. The member is correct — 2001. Dr. Pearse, who conducted that diagnosis, laid out his findings and some ideas about what was contributing to those negative trend lines and what needed to happen if those trend lines were going to be reversed.

We've taken that information. The legislation doesn't reflect every facet. In fact, as a result of all of the discussions that took place following the publication of Dr. Pearse's report, some of these provisions — not necessarily the section we're dealing with here but other features of the revitalization package — were changed and influenced by others who brought their information and their ideas.

Now, if there are features to the material presented by Dr. Pearse or if the member believes that that comprehensive report overlooked aspects of the industry.... I presume she doesn't agree with many of his findings — and that's one thing — but if the allegation is that he has neglected, in his diagnosis, key parts of the equation, then I am interested to hear that from the member.

[J. Weisbeck in the chair.]

J. MacPhail: Look, if the minister doesn't have any other studies, just say so. What is he saying about

whether I agree with the Pearse study or not, and accusing me if I don't? I'm asking him what studies he based these changes on. I said: "Is it the Pearse study only?" He said no. If he doesn't have anything else, just stand up and say so. Don't try to turn it on me.

Dr. Pearse predicted the closure of 17 mills. What does the minister say about that? What are those mills? Well, Mr. Chair, I don't think the minister has any studies other than Dr. Pearse's. Fair enough. We can work with the Pearse study. And he'll have to reverse what he just said. He said that it wasn't just Dr. Pearse's study; he had others. He doesn't.

So let's deal with the 17 mills that Dr. Pearse says will close. Where are they?

Hon. M. de Jong: Well, let's begin by being accurate, and we can read back or not.

The member said: "Is legislation based exclusively on Dr. Pearse's report?" I said: "No, it's not." I don't know what part of this the member is having difficulty with.

We commissioned a formal study by an eminent forest economist, Dr. Pearse. We got submissions. Do you want to call them studies? I guess you could. We got submissions from labour, we got submissions from licensees, and we got submissions from contractors. Are submissions studies? Call them what you want. And we talked to people about those studies. Then we had more discussions within the caucus, and we had discussions within the cabinet. We went back out and had more discussions with people based on their submissions, studies or whatever you want to call them, and we came up with a product. Some people like it; some people don't.

There it is. I don't know what problem the member is having with the evolution of a legislative initiative that is before us now.

J. MacPhail: What 17 mills will close?

Hon. M. de Jong: Well, the member will recall from her reading of the report that Dr. Pearse's calculation was based on an analysis of capacity versus AAC.

J. MacPhail: What mills will close?

[1705]

Hon. M. de Jong: It speaks volumes about how the previous administration conducted itself, and we've been down this path before. The member asks: "What mills does the government say will close? What mills does the government say will reinvest? What mills does the government say will rehire?" Well, you know what? I don't sit in the corporate boardrooms. I know the member has difficulty accepting that, but it's true.

As the industry as a whole prospers, decisions will be made. What the member can't wrap her mind around is a pretty basic finding that there is overcapacity and that our forest sector has to deal with that. I suppose, if she or her government had ever had the courage to acknowledge that fact, their response would

have been to say: "You can close this one; you can't close this one. We have decided that you will renovate this one and you will upgrade that one." I suppose that's what they would have done. I'm not.

J. MacPhail: Does the minister have any idea what mills will close?

Hon. M. de Jong: The member should drive up the highway, and she'll see some mills sitting idle.

J. MacPhail: I'm not sure why the minister has to show such disrespect to the people who work in this province — such disrespect — but that's what he's doing right now. These are legitimate questions. They're based on the answers that he is giving me and referring me to. The Pearse report predicted the closure of 17 mills. Has the minister followed up on that prediction, then?

Hon. M. de Jong: Yes.

J. MacPhail: And what mills will close — or not? Will there be zero closures? Is the minister suggesting there will be zero closures now with these changes?

Hon. M. de Jong: I think you'd have to be pretty foolish or pretty arrogant to attempt to provide guarantees to an industry that is facing some pretty serious restructuring challenges.

J. MacPhail: I actually might have thought that that was the work of government caucus MLAs, at least, if the minister is basing this legislation, as he says, on submissions from his own caucus. Perhaps they would know what mills are anticipated to be closed. Does this government do socioeconomic studies on the impact of its legislation?

Hon. M. de Jong: We know there is excess capacity, particularly on the coast. What I am hearing is a demand from this member that the government direct how that excess capacity is going to be dealt with. If I haven't been clear in the past, let me be clear now: we are not going to exercise that direction.

[1710]

J. MacPhail: God, I'm asking questions, and he's saying that I want him to direct. I'm asking whether he's got information. These are real people, real communities that are going to be affected by this legislation. I'm not asking the government to do anything except provide me the information about the effects of the legislation. Does the government do socioeconomic impact studies on its legislation? Here's why I'm asking the question, Mr. Chair. This government's booked \$75 million in compensation for displaced workers. Did he make that figure up?

I am asking questions based on what the minister himself has reported. I'm not directing him to do anything, or the industry. The government has booked \$75

million in compensation for displaced workers. Did it make that figure up?

Hon. M. de Jong: As I have said in this House before, the calculation of that figure takes a number of things into account — discussions with labour, particularly the IWA; the contract logger community — and is influenced, as well, by the government's ability to pay.

J. MacPhail: How about a heartlands strategy? Does a heartlands strategy involve socioeconomic impacts by legislation introduced?

Hon. M. de Jong: Whenever one is confronted by the kind of situation that we have — and again, I'm directing most of my comments with respect to the coastal situation — there is frustration. We have on the coast, perhaps, an operator with multiple processing facilities. We know there is overcapacity. No one likes that. That operator has to deal with that, because if they don't, at the end of the day they're not going to be operating.

[1715]

Now, I think the member is asking me if I am privy to information about how that particular hypothetical operator might respond — which of their multiple processing facilities they may downsize or even shut down. No, I'm not. Those are decisions that have been imposed on us, on the forest sector, by virtue of what has taken place — antiquated processing, antiquated processing sector, changes in the availability of tenure.

I'll try to be clear to the member. In a situation where a licensee has decisions to make about multiple processing facilities, have I got some piece of paper, or have I got some insight into the decisions that operator is going to make? No, I don't, and that's the fact of the matter.

J. MacPhail: Did the minister, in arriving at the figure of \$75 million, consult with the CEP or the PPWC?

Hon. M. de Jong: I think it's fair to say that most, if not all, of the discussions on the labour side would have been with the IWA, and that is as a result of the belief that to the extent there are impacts here, it will likely be in the primary processing side and on the harvesting side.

J. MacPhail: In fact, we will get to the effect that this is going to have on the pulp side.

The reason why I asked about socioeconomic studies as part of the heartlands strategy is because small business people have talked with me about the effects happening to their businesses in communities already affected by restructuring in the industry. So was there any analysis done about the community impact — the economic impact on a community or a region basis?

Hon. M. de Jong: The member will know that we have had in the past, and continue to solicit, contribu-

tions from the federal government. We have allocated some funding at the provincial level to address transitional challenges associated with this restructuring and revitalization.

[1720]

Again I say to the member that if the question is: whether we — the Forest Service, the government — have conducted a specific study with respect to a specific community, the answer is no, in large measure because I cannot tell the member today, nor could I tell her a month ago, nor likely a month from now, what the decisions may be to deal with an overcapacity issue. Nor could I tell her until it happened a couple of months ago that the facility in Campbell River was going to receive a multimillion-dollar upgrade and expansion. That was a decision that that operator in Campbell River made, and they didn't check with me first.

J. MacPhail: Gosh, it's interesting how the minister commits to spending \$75 million, and he has nothing to base it on — nothing, by the way. He can't give me any evidence of any studies he's done to suggest about displaced workers — nothing.

By the way, the CEP who are watching — I don't blame them; their future's here — have a sawmill in Campbell River. PPWC has a sawmill in Mackenzie, a plywood plant in Prince George and two sawmills on the Island. Those working men and women will be directly affected by all of this, unless the minister is somehow suggesting the mills represented by those two unions won't be affected by this legislation.

The minister is going to keep the annual allowable cut available without any requirement now to process that fibre in British Columbia. We've spent the last three and a half hours, and he's saying exactly that. What impact is that going to have on log exports?

Hon. M. de Jong: Unless a government changed the rules around log exports, none.

J. MacPhail: Well, the Skeena Cellulose man who got the fibre from up there, the man who... I'm sorry. I think his name is Mr. Venies, but I always say it wrong, so I apologize for the pronunciation of it. He has a mill. He's got logs. He's exporting them all. They're not producing anything. He's not creating one job in a mill with that kind of timber, because this government changed the rules to allow him to do that.

Now, there are going to be fewer mills. Or maybe Dr. Pearse is wrong, but Dr. Pearse says there are going to be fewer mills. There are going to be at least the same if not an increasing amount of timber available. Isn't this government creating a situation whereby there will be an ever-increasing amount of timber surplus to B.C.'s needs, which is the basis on which raw log exports are permitted?

Hon. M. de Jong: I may have missed something in the preamble to the question. I'm sure the member will fill me in, in a moment. On the coast in B.C. we don't

cut our AAC now. Part of the objective here is to create a circumstance in which we can actually harvest and process closer to our actual allowable annual cut.

J. MacPhail: Yes, but if the cutting stays even as it is now or the cut increases — not the annual allowable cut but the actual cut — and there are fewer mills, is that not creating a situation where there are logs, timber surplus to B.C.'s needs, and therefore the government creates the situation of allowing raw log exports?

[1725]

Hon. M. de Jong: I don't know if this helps the member, but it does seem to me to go to the point that we are discussing now. I am now reading from Dr. Pearse's report at page 20, where he says: "Today it would take nearly 30 million cubic metres of logs per year to fully utilize the existing mill capacity, compared to the present available timber supply of 24 million and actual harvest" — as the member pointed out — "considerably less."

Then he goes on to talk about the competitiveness issues and the efficiency issues that go with improving that consumption rate. This is where we get into the discussion around a mill — admittedly, a single mill — operating, instead of on a one-shift basis, on a two- or three-shift basis and the requisite efficiencies that go with that, the increased volume of timber that flows through it and the reduced per-unit costs that result from it.

J. MacPhail: That's all very well and good if it works out that way, but so far the industry is extremely reluctant to invest in this province — extremely reluctant. In fact, forest sector investment is on the decline in this province, but once again we leave it up to the industry to decide the future of all of this.

I just want to point out what I picked up at my break, which was that Bill 44.... My staff have been looking at Bills 44 and 45, and they directly impact on what we're discussing right here. We're going to have to do this all over again, because just looking at the first couple of sections of Bills 44 and 45, I note that this bill repeals those things that must be in a licence. Bill 45 repeals those things that a minister must consider in awarding a licence. You can't talk about one without the other.

That's Bill 45 and Bill 44, and don't blame me for having to redo all this work. The government introduces legislation on a Thursday, the very day and time we're debating the committee stage of an extremely important piece of legislation, and we're going to have to do it all over again.

B. Lekstrom: Just a couple of questions and comments to the minister on this, fully recognizing that change in our forest industry was needed. I think that's fair to say when you look at what's taken place.

To the minister, I'll ask the question. The issue right now with the section 2, which we're dealing with on the appurtenance issue, the ties that we have.... Pres-

ently we have a system where we tie our trees to the mills. Is the minister saying that with the removal of what is taking place under this bill, the trees will be tied to British Columbia but to no particular mill?

Hon. M. de Jong: That's correct. The timber will remain subject to all the restrictions that exist around raw log exports, so presumably if people who harvest timber are interested in processing it in one form or another, that processing will have to take place within B.C.

B. Lekstrom: Certainly, we've spent a considerable amount of time speaking on this with my colleagues and with the minister. I do have some concerns with section 2, fully understanding — and again I want to reiterate — the changes needed in our forest industry. But the removal of the appurtenancy clause — for instance, timber-processing requirements — what takes place....

I wouldn't be doing my job if I didn't stand and express my concern on this section. I believe the trees should be working for all British Columbians, but I also believe that the trees should be working for the people in our regions. I think that when I look back, whether it be the timber-processing requirements.... The appurtenancy issue, when we tie it to a mill, I think has — maybe not in every case — helped achieve that kind of community stability, although I do look around. I have driven the Island, and I've driven the north, and I've driven the northwest, and I do see the challenges.

I understand when the minister was speaking earlier.... The transferability of logs, for instance, on an appurtenancy clause, where a company has appurtenancy tied to them, where that log will go to that mill.... I fully understand the situation where if that mill isn't there, then that log can't be going anywhere else. I think what we have to do....

I would ask the question of the minister: did you entertain looking at a modified appurtenancy where within a region, for instance, getting the right log to the right mill is very important? I agree with that, but is there not an opportunity to look at that direction rather than the complete elimination of the appurtenancy clause?

[1730]

Hon. M. de Jong: It's a subject this member has raised and others around the province have raised as well. One is confronted, obviously, by the challenges associated with the construction of those regional borders.

There is another argument that has been raised in response to the suggestion, and it's one I find compelling. It relates to the fact that within the business, the cost associated with the transportation of logs is in all cases greatly influential on where that log can economically be processed following its harvesting. That's one thing.

The other feature to this, of course, is the fact that some people equate this change with the notion that

the Crown — the Forest Service — is going to provide relief through the stumpage system for the transporting of logs over greater distances, and that is not the case either. We have in the past, in the specific example of the beetle infestation, provided some haul differential allowances as a means of encouraging harvesting on the leading edge of that infestation. That is the single example I am aware of where that kind of relief would exist. The constraints that exist around the economics of transporting logs will remain.

B. Lekstrom: I certainly understand the economics of transporting logs and what that tree is worth to the mill. In many cases, we've seen trees in my region brought all the way from Saskatchewan to Bear Lake — hundreds upon hundreds of miles. Certainly, the economics have to bear out that you can make a dollar at the end of the day. I'm not saying that I would stand here and support keeping a mill operating if it wasn't economical — to drive someone into the ground. But certainly I want to reiterate my extreme concern under section 2 and the removal. As I indicated earlier, I would have preferred a modified appurtenancy.

I believe trying to have the trees work for British Columbians is a laudable goal, and I believe we're trying to do that. I commend you for the work and effort you've put into this. I'd also like to commend my colleagues from North Island and Skeena, who I've spent many hours discussing this issue with.

[1735]

When we stand in this House and speak on behalf of our constituents and what we believe is in the best interests, we want to express what we feel inside and what we think is the right route to take. In this case, although I support the bill, I certainly am not able to support section 2 for the reasons that I've laid out. Thank you.

Section 2 approved on the following division:

YEAS — 27

Halsey-Brandt	Whittred	J. Reid
Bruce	Thorpe	Murray
de Jong	Chong	Penner
Jarvis	Orr	Harris
Long	Trumper	Johnston
Krueger	Bray	Les
Bhullar	Suffredine	MackKay
Cobb	Visser	Brice
Sultan	Hamilton	Kerr

NAYS — 2

MacPhail	Lekstrom
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On section 3.

The Chair: Minister, you have an amendment on section 3?

Hon. M. de Jong: I do. With respect to section 3, I move the amendment standing in my name on the orders of the day.

[SECTION 3, in the proposed section 19 (3) by deleting everything after paragraph (b) and substituting the following:

if the holder requests the replacement or amendment by written request delivered to the minister.]

On the amendment.

J. MacPhail: Could the minister explain it, please?
[1740]

Hon. M. de Jong: The short answer is that it adds the words "or amendment," and that relates to the fact that the language included in the earlier part of the section and the process that must be undertaken contemplate either a replacement or amendment. I want to find for the member the specific reference to that language, if I could just have a moment.

J. MacPhail: It may not be necessary. I may have misunderstood the amendment. So 3(a) and (b) stay there, including the words after (b). It's just "if the holder of the licence" that is amended. Is that correct? If that is correct, I'm fine.

Hon. M. de Jong: For the record, that is correct.

Amendment approved.

On section 3 as amended.

J. MacPhail: The minister retains the power to refuse to amend or replace a licence under 19(4). That's my understanding from section 3. Is that correct? My understanding is, with the changes to section 3, that the minister still maintains the power to refuse to replace or amend a licence under 19(4). It says here: "...if the minister considers that the replacement or amendment would compromise forest management."

Hon. M. de Jong: The member's assumption is correct.

J. MacPhail: I just want to take about the next five or ten minutes before we rise to list some of the areas — whether this would provide grounds, in the minister's mind, to refuse to replace or amend. What if a meaningful consultation with first nations and accommodation of aboriginal title and rights had not occurred?

[1745]

Hon. M. de Jong: I apologize for the delay; I wanted to make sure I was conveying accurate information.

We're dealing here with a situation where a licensee has two separate licences and wants to consolidate them into a single licence, or has a single licence and

wants to subdivide them into more than one licence. In that case, the consideration alluded to under 19(4) would not include the question of consultation with first nations, as I think the member described it.

J. MacPhail: As I understand it, a licensee can subdivide its own licence now and give it away.

Hon. M. de Jong: The member, taking the legislation as a whole, is.... I don't know about give it away or sell it, but the transaction we're talking about right now is purely the internal consolidation or subdivision. We may have another discussion around transferability, which comes up later in the act.

J. MacPhail: So would the minister take into consideration whether one or more of the circumstances set out in paragraphs 15(2)(a) and (b) apply to any of the forest licences involved — for instance, rights are suspended, stumpage outstanding, failure to meet Forest Practices Code requirements?

[1750]

Hon. M. de Jong: Again, the specific answer to the member's specific question is no. I was endeavouring to provide an example of what compromising forest management actually does represent. One of the examples that occurred to us relates to a situation where subdividability takes place to a level where you are no longer left with viable forest management sections, and that can have an adverse impact on the overall AAC. That would be a situation in which forest management considerations would lead to a denial of the ability to subdivide. But the specific answer with respect to the section the member referenced is no.

D. MacKay: To the minister, a couple of house-keeping questions. First of all, I wonder if the minister could explain to me who the persons authorized to make the decision are. The act reads: "In this section, 'minister' includes a person authorized by the minister." How far down in the bureaucracy does that decision-making process go?

Hon. M. de Jong: It's contemplated that it would be delegated to the regional manager level.

D. MacKay: Historically in the past, when there's been a transfer of a licence, there's always been a clawback. Does the clawback of the 5 percent apply to this section?

Hon. M. de Jong: The member will know as we get to a subsequent section, I think — maybe not shortly chronologically but numerically — that there is a specific provision that actually repeals that 5 percent clawback.

J. MacPhail: Noting the hour, I have a few more questions on section 3, so I move that the committee rise, report progress and ask leave to sit again.

Motion approved.

The committee rose at 5:52 p.m.

The House resumed; Mr. Speaker in the chair.

Committee of the Whole (Section B), having reported progress, was granted leave to sit again.

Hon. M. de Jong moved adjournment of the House.

Motion approved.

Mr. Speaker: The House is adjourned until 10 a.m. Monday next.

The House adjourned at 5:54 p.m.