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THE HONOURABLE BILL BARISOFF, SPEAKER

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LIEUTENANT-GOVERNOR
His Honour the Honourable Steven L. Point, OBC

FOURTH SESSION, 38TH PARLIAMENT

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Morning Sitting

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TUESDAY, FEBRUARY 10, 2009

The House met at 10:03 a.m.

[Mr. Speaker in the chair.]

Prayers.

Orders of the Day

Hon. M. de Jong: I call second reading of Bill 48.

Second Reading of Bills

FINANCE STATUTES (DEFICIT AUTHORIZATION AND DEBT ELIMINATION) AMENDMENT ACT, 2009

Hon. C. Hansen: I move that Bill 48, the Finance Statutes (Deficit Authorization and Debt Elimination) Amendment Act, 2009 be read a second time.

Bill 48 enables the government to protect health care, education and vital social service programs in these extraordinary economic times by authorizing the government to present deficit budgets while the economy goes through a recovery period.

Despite a very rigorous budget process that achieves significant administrative savings across ministries, government finds it necessary, temporarily, to run deficits for the next two years in order to protect the health care, education and social services that British Columbia families depend on. This is a short-term solution only. This government believes in fiscal responsibility, and for the long term, balanced budgets are a significant foundation of that responsibility.

This is why we have limited the period of authorized deficits to just two years — only two years. By then, economists project that we will come out of this severe economic downturn, and government can again return to balancing its books. Government accepts the consequences of this action as laid out in the Balanced Budget and Ministerial Accountability Act.

During the two-year period that government will be tabling deficit budgets, government ministers will likely lose their salary holdback for their collective responsibilities, in that each minister will likely lose 10 percent of his or her ministerial salary, unless by year-end a deficit can, in fact, be avoided.

[1005]

We will not abuse that authorization. Government ministers will still work hard toward balancing the bottom line. Over the next two years we will strive to ensure that every tax dollar and every dollar of revenue derived from British Columbia's natural resources — in other words, every bit of government revenue — is managed efficiently and is directed towards the effective delivery of programs.

But that is not all. Once we begin balancing the budget again, Bill 48 commits government to putting every dollar of additional cash realized from the operations of the consolidated revenue fund towards paying down and eliminating the provincial government's direct operating debt.

To make sure that we have surplus cash at the end of the year whenever it's possible and to help us get rid of the direct operating debt, Bill 48 includes a prohibition against presenting supplemental estimates to this House until we do eliminate the direct operating debt. This government is committed to living within its means until it gets rid of the direct operating debt once and for all.

These are unprecedented times. We have seen tremendous erosion in government revenues. We have trimmed all of the administrative fat that we could find. We have applied these savings to protect vital programs. But the changes that we have seen are too big for government to credibly table a balanced budget on February 17 without doing significant harm to critical health services, essential education services and our vital social safety net.

This is a difficult decision for this government. This is a government that actually hates deficits. Deficits rob future generations, but in these unprecedented times government has to take this extraordinary measure in order to protect the services that are essential for the well-being of British Columbians.

This government remains committed to balanced budgets. It remains committed to fiscal responsibility that enabled us to build a strong economy over the last seven years — fiscal responsibility that saw this government overcome the structural deficit it inherited eight years ago from the previous administration; that has been commended by rating agencies, as evidenced by the triple-A credit rating we have achieved; that has driven down the debt-to-GDP ratio from a high of over 21 percent to a low of about 14 percent.

Bill 48, too, is grounded in fiscal responsibility. Yes, it enables a short period of deficit, but it eliminates deficit budgeting as soon as possible without hurt to health care, education and vital social services. Furthermore, it commits government to finally getting rid of the direct operating debt. This is the definition of fiscal responsibility.

B. Ralston: I propose, first, to review some of the elements that are present in the bill, and then I have a few comments about the implications of this legislation for future governments and some review of the necessity for this legislation.

It's evident from many of the comments of government ministers over the last six months that they failed or were unwilling to accept changes in economic reality that many commentators — indeed, most commentators — noted and recommended a change of course to government.

[K. Whittred in the chair.]

What this legislation proposes is a two-year holiday from the prohibition against projecting a deficit in government revenues in the public accounts. What's clear here is that even the minister acknowledged yesterday in a news conference that he was unable or unwilling to make the statement that the necessity for a deficit would disappear within two years. Indeed, the federal government — the Minister of Finance there — has projected that it will take at least four or five years for the federal government to emerge from the fiscal cycle that it has embarked upon with its deficit budget just weeks ago.

[1010]

One wonders why the projection of two years is chosen rather than offering a legislative solution that might be more permanent. The minister yesterday acknowledged that it might be necessary to revise the legislation again. So this would appear to be a bit of a make-work project for the Legislature in the event that further deficits are necessary — that it would be necessary to revise the legislation again.

Indeed, no other province in the country has a complete prohibition against running a deficit. There are obviously situations which I think even the most cautious of Finance ministers would recognize may call for the running of a deficit. I think the Premier alluded to this in some comments recently. A major natural disaster such as an earthquake might require the government to readjust its spending priorities and fund a recovery project.

In the debate that took place some years ago, in 2000, one of the criteria that was listed in that legislation for the running of a deficit was a drop in projected government revenue of more than \$500 million, and that was when the budget was about \$28 billion a year, which it is no longer. It's risen, obviously.

So there are circumstances where the business cycle, the economic cycle, eludes the predictive power, weak as it may be on occasions, of economic forecasters and some of the conventional wisdom that offer advice and predictions about the future. Predicting the future is always a difficult business. Certainly, those who would claim to predict the economic future accurately over the last year have been confounded to some extent by the degree to which the economic fortunes of the country, of the province and, indeed, of the global economy have shifted so rapidly.

If this legislation is to be realistic, it seems that the arbitrary choosing of the two-year holiday is perhaps unrealistic. I'm not quite sure. The minister at this point seems to be relying upon some predictions about an economic upturn shimmering in the future — which I'm sure we all aspire to and look forward to but which may not turn out to be true — in 2010, some 11 months or so from now.

There are many notes of caution about that particular prediction, and it seems that those are not being recognized and that the minister prefers to stick with

that particular view of the future which has confounded experts and economists and commentators in the past — that is, the ability to clearly predict the direction that the economy is going to take.

It's not clear that B.C. — I certainly don't think the minister is saying this — will never experience sharply declining revenues again in the future, so why a legislative solution isn't offered here is not clear. Perhaps for rhetorical purposes and for political purposes the minister is unwilling to face that kind of reality at this particular point in the political cycle — that would seem to be the only answer — rather than a willingness to devise a legislative solution that would be more enduring than the one that he proposes.

[1015]

The other aspects of the bill, the revision to the Budget Transparency and Accountability Act, the proposed amendments to direct increases in cash and cash-like or cash investments to the operating debt as it emerges would seem to be prudent and, I think, can be supported. It's not clear — and perhaps this will emerge during committee stage, if and when we get to committee stage — just how that would work, but it seems relatively straightforward on the face of the amendment that's proposed here.

The proposal that supplementary estimates not be presented if an operating debt remains in the public accounts of the province, again, would be a variation, a change, from past practice. Indeed, one can remember supplemental estimates as recently as last year where great gobs of government cash were doled out near the end of the fiscal year. That change is a new one.

Of course, in the event that that course of action was no longer desired, a simple legislative amendment would suffice to change it, so one wonders about the long-term commitment of the government to that course of action. But certainly, on paper here it looks good.

I'll attempt to trace the moving target of the minister's apparent awareness or willingness to admit that it might be necessary to run a deficit. There's a long chronicle of quotations of the shifts in his opinion. I gather from reading that body of material that the minister only became — or claims that he only became — finally aware that running a deficit would be necessary sometime in the middle of January — that is, several weeks ago.

There are a number of quotations about not wishing, not being willing to, not planning to and, indeed, not projecting a deficit as recently as the beginning of January. But the reference that's now made publicly is a reference that has been made by the Premier, by the Minister of Finance and, I believe, by the member for Kamloops, so it would appear that it's one of the government's talking points.

Reference is made to a drop in projected government revenue of \$300 million in one day. No other detail is provided of that. That apparently took place in January.

So not only at the point that we're debating this do we not have the quarterly report of government revenue for October, November and December — even if that were to be tabled early.... There's no prohibition against doing that in the act. The dates that are referred to are limits by which the quarterly reports must be tabled, but it's permissive in the sense that if the government chooses to publish those earlier or share that information with the public, it's open to do so.

Certainly, some summary form of the information available now to the minister about the public accounts and revenue for October, November and December is in his possession. He knows that. He chooses not to share that at this point with the public and use it in this particular debate, indeed. But were that to be shared with the public....

The reference that's made to what took place in January, again, is uniquely in the possession of the minister and his officials, not to be shared with the public other than in a form of talking points, with no explanation, no opportunity to explore it and no opportunity, in particular, to receive the projected government revenue to the end of the fiscal year, which is March 31.

[1020]

I am convinced that the likelihood of a deficit in the current fiscal year is very high. But the minister seems unwilling to share that information at this stage, bringing forward this legislation and choosing to focus on the next fiscal year and the one after that, but not willing to share the information about what's taking place right now.

That's important for, I think, the public to understand what's at stake here. These kinds of briefings in this — what everyone acknowledges is an extraordinary time — are important and should be shared with the public, particularly to inform the public and the members of the Legislature during the course of this debate as to why the government considers this course of action so necessary. There doesn't seem to be and there isn't — I think would be a fairer way of stating it — a willingness to table that information.

When a minister and the Premier say that government revenue declined \$300 million in one day — that's projected revenue — that raises a number of questions. What was the composition of that decline in government revenue? What were the sources? Was it sales tax? Was it property purchase tax? Was it resource revenue? Was it gambling revenue? What is driving that decline?

Obviously, the minister uses this as a buttress for his argument, and the Premier has used it publicly. Yet no detail is provided. This is the government that claims that it was going to be the most open and transparent, I think, in the country — maybe in the galaxy, in the known universe. The opinions seem to fluctuate on that.

Certainly, there's an absolute unwillingness on this very basic point in the middle of this crucial debate, in economically extraordinary times, for the minister to

share the most basic information about government revenue, which he has in his possession on his desk and is being briefed on by his officials every day, and will not share that with the public nor with the members of the Legislature.

The members of the public may not realize that this is information that's gathered by public officials as part of the ongoing operation of government. It's available only to the minister and those he chooses to share it with and not to anyone else — not to other members of the Legislature, certainly not to anyone on this side of the Legislature. Yet he wants us to come forward, accept that information uncritically, without sharing it, and participate in this debate.

Frankly, it's just not good enough. It's not good enough. People, for a variety of reasons, are not comfortable with the way in which this minister handles that kind of information. We've seen a resistance to the reality of soaring costs in Olympic spending, particularly in the cost of security. That was canvassed very thoroughly in question period yesterday.

Given that lack of trust that the minister has engendered in the public, it would seem to me to be a smart thing to share that information here in this debate, to let us know where we're going and what the composition is of that decline in government revenue.

Now, we will see the quarterly report, I gather, not before budget day — no summary of that. The information that speaks of revenue declines in January will not, if the present direction continues, be available to the public until the public accounts are finally tabled in June, well after the election. That's when the final tabling of the public accounts for the fiscal year ending March 31 takes place.

[1025]

So that information won't be available, won't be part of the debate, won't be part of the political debate running up to the election. That's probably convenient for the government. That's probably convenient for the Finance Minister. But it really makes a mockery of transparency and accountability, particularly in these crucial financial matters at a time which everyone agrees is an extraordinary time economically and where governments are challenged to meet their obligations and to spend the revenue that's available carefully and cautiously.

Given that we will not be seeing that, I will attempt to discern and move forward on certain assumptions that arise not particularly from what the minister has said and what the Premier has said but from what other commentators have said. But I think it's fair to say that on this side of the House, we're somewhat skeptical about what the minister has said about the direction up until very recently. I think we have — and the public has — good reason to be skeptical for a variety of reasons, but more specifically, based on what the minister has said in the recent past.

Before I come to that, I want to talk a little bit about the genesis of this particular legislation that's now being amended and look back to the debate that took place in 2000. One of the touchstones that B.C. Liberals would ask the public to accept is that they are deficit fighters, that they're opposed to deficits, that all their political effort and action has been pointed in that direction, that they have been consistent in that and that the public should understand it in that respect.

But that's not the case at all. When the legislation in 2000 was tabled, which spoke of a couple of possible exceptions very much like the circumstance in which we find ourselves now, they fell over themselves in scoffing at that particular piece of legislation. What that legislation called for was two exceptions to balanced-budget legislation.

One was where there was a decline in government revenue. I'm going to read from the bill or the act that was passed. This is section 6(1): "If (a) the revenue for a fiscal year is forecast, or is determined in the public accounts, to be lower than the revenue of the previous fiscal year by more than \$500 million...." It calls on the minister to make a statement about that, present a report to the Legislative Assembly and, if the Legislature is not sitting, to convene the Legislature to begin consideration of the report within 30 days of that statement.

So where there is a circumstance in which there is a dramatic decline in the projection of government revenue, much as this circumstance, that particular legislation would have required a report to be tabled to the Legislature or, if the Legislature was not sitting, to call the Legislature back and begin discussion of that report — very much like the circumstance that we're in right now.

Again, accepting what's been said and the hints that we've heard, a decline in the projections of government revenue in January of \$300 million in a single day, declines from September to November of \$900 million in government revenue — very much like the circumstance that we're in now.... This legislation would have called for the reconvening of the Legislature to debate that report and some action to be taken — a very reasonable approach and, indeed, one that mirrors the circumstances that we're in right now.

[1030]

The other exception would be, I think, what the Premier in one of his statements called the earthquake emergency. Section 7 said that if there is an expense that is not provided for or is inadequately provided for in those estimates, and (b) the minister issues a public statement that (i) states the expense is required because of emergency or unexpected circumstances that are detrimental to the health or safety of persons in British Columbia — and describes those circumstances — then it requires the minister to present a report and, if the Legislature is not sitting, to convene the Legislature within 30 days.

Those are the two exceptions: a calamity — a natural disaster — and a drastic decline in the projections of government revenue. Those were the exceptions in the balanced-budget legislation that was passed in 2000. But what was the reaction of many of the members of the government, many of whom were in opposition then, to those comments?

The minister — now the Minister of Environment, then the opposition member — spoke of loopholes that a king cobra snake could wriggle through. There were a number of other disparaging references attacking the sincerity of the bill, the commitment, its lack of reality, and stressing that the B.C. Liberals wouldn't have any exceptions. There would never be an exception. There would be balanced budgets always. That was their commitment, and these kinds of exceptions were not to be preferred.

They were opposed vigorously, derided, laughed at, scoffed at and voted against. The then Minister of Finance claimed that once the B.C. Liberals were in power, there would never be a deficit again. It would be the fiscal equivalent of nirvana — no possibility. These are from folks who would claim that they have some understanding of markets.

Generally markets have, at least in my experience, a couple of directions. One, they can go up, and another, they can go down. In the long run they tend to do both. So to suggest that there would never be a fiscal circumstance in the province where the decline in revenue would be such that it might be prudent to run a deficit.... That proposition was just attacked, scoffed at and ridiculed, and the great professions of self-righteous fiscal rectitude were pronounced. This would never happen under a B.C. Liberal government if it were to come to pass.

Power changed, and in 2001 the B.C. Liberals came to power, of course. Notwithstanding what they said in the debate in 2000, the departing government, the NDP government, in the fiscal year ended March 31, 2001, left a surplus of.... I'm quoting from the report of the Auditor General, *Monitoring Government's Finance*, December 2006, report No. 6. The surplus in 2001 left by the departing NDP government was \$1.152 billion — a substantial surplus, and up to that point the biggest surplus in the history of the province.

Notwithstanding the protestations, the professions, the breast beating, the clarion calls to fiscal rectitude that we heard in that debate in 2000, for the first three years of B.C. Liberal government, deficits were run — indeed, substantial deficits. Again quoting from the Auditor General, *Monitoring Government's Finance: Province of British Columbia*, December 2006. The fiscal year ending 2002, \$1.018 billion. In 2003, \$2.997 billion. Almost a \$3 billion deficit, the biggest deficit in the history of the province, run in 2003.

Interjection.

[1035]

B. Ralston: You can see that they don't like the truth over on the other side. They're starting to get a little rattled.

In 2004 another deficit of \$1.409 billion. So the balanced-budget legislation that they passed didn't require them to balance the budget for at least three years. It was a question of give me virtue, but not just yet.

Then, taken the upswing in the world economy — commodity prices — much of the fiscal mess of the first three years left by the first Minister of Finance was corrected. Revenue moved into surplus in 2005. That was substantially assisted in 2005 by a dramatic increase in federal transfers. Federal transfers went up to \$5.2 billion from \$3.6 billion the year before.

Indeed, the Auditor General pointed out what he regarded as the dangerous reliance of the provincial government revenue on federal transfers. But nonetheless, the fact of those federal transfers enabled the provincial government at that time to move to surplus.

Now there were surpluses. I think those on the other side of the House would take personal credit for every penny of that surplus, notwithstanding that the world economy was in a general upswing around the globe.

Now that the world economy is swinging the other way, it's all externalized. There's no responsibility taken anywhere. It's suddenly all to do with this small economy which is buffeted by external forces beyond its control.

Yet when things were going up, individual government members were only too happy to take personal credit entirely for the increase in government revenue. Oddly enough, they don't have the same enthusiasm for accepting responsibility when government revenue is declining, when they've wasted money on various Olympic overruns and other pet projects of the Premier. They don't have that same enthusiasm, the same zeal, to accept responsibility when costs are going up and government revenue is going down.

That is some of the background. The possibility of a deficit to the end of this fiscal year is likely, by March of the fiscal year 2008-2009. If we go back and look at the government's record over its time in office, it will have had deficits in four of those eight years.

Deputy Speaker: Member, I'm assuming you're the designated speaker. Is that correct?

B. Ralston: Yes, I am.

Deputy Speaker: Thank you.

Interjections.

B. Ralston: Well, the members opposite really don't want to listen to an objective presentation of the province's financial history, but I'll persist.

Quoting the Auditor General.... I guess it's a bit of an unfair advantage really, when one could quote the

Premier or someone else further up the hierarchy over there in the B.C. Liberal Party, but the Auditor General is an independent officer of the Legislature whose job it is to review and monitor the finances of the province and report thereon. The figures that I've just laid before you are taken from those reports, not from the self-aggrandizing news releases and attack releases that emanate from offices of the government ministers from time to time.

[1040]

Given that fiscal reality, one then wants to look at just how we came to this circumstance. Obviously, given the history, the B.C. Liberals are no strangers to deficits, and they would seek to push that history of what happened in 2002, 2003 and 2004 into the background. But how, in recent history and in recent months, did it come to pass that it came to be recognized that a deficit was probably required in the upcoming budget?

It's an interesting spectacle to watch and attempt to follow. Notwithstanding the economic news and analysis that were offered widely, whether it's by governors of the Bank of Canada, chairs of the Federal Reserve in the United States, economists at major banks, local forecast councils, businesspeople, labour leaders.... There was a serious concern expressed about the direction of the economy in the United States, our biggest trading partner and an economy with which we are very, very obviously closely allied and intricately intertwined with in most of the commerce that takes place in this province and in this country. There were obviously signs that at the very least, the economy was beginning to slow and, in the words of many commentators, a precipitous decline in the American economy was likely to take place.

But it's clear — equally clear — that notwithstanding those warning signs.... Doubtlessly, again, we'll probably not get a full account from the minister about the advice that he received from Treasury Board officials and other senior public servants who are there to advise the minister on these sort of things, that the economy was shifting and that a prudent approach would be to recognize that and begin to make preparations for a shift in direction.

I'm sure the public will understand this — this refusal to face reality — because in a number of other areas in the conduct of B.C. Liberals and B.C. Liberal ministers, that refusal to accept reality has become a hallmark of the government's style. But it's clear that notwithstanding all those warnings, all those storm clouds gathering on the economic horizon, the B.C. Liberals, the government, were out of touch with economic reality. They wasted valuable time in failing to prepare for the possibility of a downturn and made some claims about B.C.'s immunity to a global crisis, which clearly haven't been borne out and were never accurate to begin with.

Beginning with the former Minister of Finance back in March 2008. She said in a radio interview on March 11, 2008: "The B.C. economy is different from the rest of

Canada." She's confident the strengths and protections will get us through this difficult time in the United States. So it's a problem in the United States, but it couldn't be a problem in British Columbia. That was her basic approach at that time.

On August 20, 2008, the Minister of Finance stated in an interview with Mr. Brethour at the *Globe and Mail*: "The minister said he believes B.C.'s economy is essentially sound and that much of the worry is simply an echo from the woes of the United States and eastern Canada."

So once again: "It's over there. It's the United States. It's eastern Canada. Nothing to do with us. No reason to take any corrective action. Everything's all right here. We're fine." The interconnectedness of those economies didn't appear to be a concern of the minister, and it was business as usual in August of 2008.

[1045]

On September 13, 2008, the minister was quoted by Mr. Palmer of *The Vancouver Sun*: "Caution is still the watchword of B.C. budget-making. The minister insisted we're not going to spend money we don't have. We're not going to risk putting the province back into deficit." So in September, no possibility of a deficit — not even willing to take the risk of putting the province into a deficit, let alone acknowledge what was brewing elsewhere in Canada, the United States and the global economy.

On October 1, 2008, the Premier said in an interview on CFJC: "I understand the challenge, and one of the good things right now is that the economy is doing relatively well. So no need to worry; everything's fine." No echoes from anywhere else, notwithstanding many of the Premier's statements about the importance of international trade — indeed, his many trade missions abroad and much of the rhetoric that fills his speeches from time to time at party gatherings and other places about the importance of B.C. in the world economy.

The world economy was apparently in his mind, only a one-way street — that it could only head up and never down, an odd point of view for someone who understands markets or would profess to understand markets. But still, that's what he said.

On October 28, 2008, meeting with reporters after the economic update, the Premier said this — and I'm quoting Mr. Fowlie of the *Sun* in his blog:

"Let me be very clear. We are not going to run a deficit in the province of British Columbia... When you talk about a deficit or anyone talks about a deficit, they're talking about turning their back on the next generation and sending our problems forward to them. I think one of the things that British Columbians are very clear on is they expect us to think about the generations that follow us. I do not accept that we should have deficits."

So October — and one only has to look at some of the economic news that was emerging around the world in October. Indeed, I think the Premier said that this was a financial crisis unprecedented in 75 years, but somehow the connection between a global financial crisis and an

impact on the economy of British Columbia and the province's finances.... That line doesn't seem to have been drawn. It doesn't seem to have been drawn at all — politically convenient perhaps, but not in touch with economic reality.

And if one looks at a scattering of economic news taken from that time in September to October, the signs of economic distress are everywhere. *The Vancouver Sun*, September 25, 2008: "Canadian households are nearing the financial tipping point that Americans reached two years ago, which plunged their housing market into the deepest recession since the Great Depression, a senior Bay Street economist warned yesterday." On September 27, 2008: "The financial market crisis may have killed the long-running bull market on Bay Street, but even before it erupted earlier this month, the economic slump and rising inflation had already ended a golden era of real wage gains for Canadian workers."

September 30: "Scotiabank's commodity price index plunged almost 9 percent in August, led by a precipitous swoon in the bank's oil and gas index that continued to hammer prices Monday as growing fears of financial contagion swept global markets." October 8, 2008: "A sudden collapse in pulp prices has killed any chance of restarting the idled Mackenzie pulp mill this year, new owner Dan White said."

[1050]

The economic news is replete with examples, signs. One would have to be completely oblivious to reality to not have sensed that. Indeed, in his economic address the Premier said on October 22 that this was the worst decline in financial markets in 75 years, since the Great Depression.

Yet this fixed idea, this rigid posture adopted by the Premier — and obviously obligatory for others in the cabinet to follow, given that it was the Premier enunciating that — didn't draw the line, didn't make the connection between what was happening there and what was going on in British Columbia or was likely to be the impact in British Columbia.

Is it that the Premier was out of touch with reality? Maybe he was. I somehow doubt it. I think he chose, for his own political reasons, not to level with the people in B.C. and hoped that he could somehow muddle through without the necessity of running a deficit. That prospect wasn't opened up publicly until several weeks ago, long after every other objective observer in the province, in the country, in the continent and indeed in the G20 had long since decided that we were heading in an unfavourable direction economically. But that approach persisted well past October.

The Premier in an interview with the *Globe and Mail* on October 24, 2008, said: "Gordon Campbell can think of one, and just one, circumstance that might persuade him to run a budget deficit: an enormous earthquake that ravages British Columbia's infrastructure and economy." Obviously, that's going to put us in a different situation.

This was obviously one of the circumstances referred to in the balanced-budget legislation, the Balanced Budget Act, in 2000. That was one of the circumstances that authorized government to consider a deficit. That doesn't appear in the legislation that the B.C. Liberals passed, but here the Premier acknowledges — and that's a very slight concession — that an enormous natural disaster might oblige the province to run a deficit.

Notwithstanding that, the legislation would not have permitted that, and legislative change of the sort that's being proposed here would have been required if that should ever, God forbid, come to pass in British Columbia.

I think there's an eerie irreality about the Premier's comment there. I think it's a measure of his blinkered thinking on this topic that he does envisage a situation where it might be possible to run a deficit, yet the legislation that he put before the House and had passed doesn't contemplate that and wouldn't permit it without revision to the very legislation that he's referring to.

It's important to reflect back that in 2000 those provisions of the legislation were referred to by, I think, the now Minister of Environment as the Mack Truck clause. In other words, this idea that a natural disaster might require you to run a deficit — the very thing that the Premier was referring to — was attacked by the Minister of Environment as the Mack Truck clause and was disparaged and spoken very harshly of and completely dismissed as a possibility. Given that the Minister of Environment tends to move in lockstep with the Premier, I'm sure he's revised his view and will now follow the insights of the Premier on this occasion.

There are other and continuing comments by the Premier and the Minister of Finance that continue into the month of November, just months ago. The Minister of Finance is quoted as saying in *The Vancouver Sun* on November 25, 2008: "We will not be running a deficit in British Columbia."

[1055]

That's not that long ago — two and a half months ago. The minister who has access to the reports, to the briefings of officials, to the latest economic information, government revenue.... A very emphatic statement. Nothing qualified about it. Very clear that there's no need to worry about a deficit, and that's only two and a half months ago.

The Minister of Community Development said in the Legislature on November 24, 2008: "We are weathering a tremendous world economic storm on a ship that is riding fairly smoothly on troubled seas."

Hon. K. Krueger: It's poetry.

B. Ralston: Well, it's lyrical. I doubt the minister wrote that himself. It has a touch that lacks the rough edges that we usually hear from the minister. So I'm not

sure he wrote that himself. Again, I think that metaphor failed to acknowledge the holes in the hull that might be emerging as that ship sailed along, if we want to extend the rather trite metaphor that was used in this particular quote.

Once again, yet another government minister on the other side there, who doesn't seem to be at all in touch with the reality that world economic troubles will have a direct impact on the British Columbia economy and on government revenue here in British Columbia. No concern — at least no concern expressed in that particular statement.

The Premier continued on his denial campaign. In a year-end interview with *OMNI News* on December 16, 2008: "I am not expecting that we will have a deficit budget. In fact, I think we should deliberately try not to. I think when you say that, you know, to be deficit-free means you are not loading up tax costs on the next generation." December 16 — not that long ago. No concern, and the economic news continued to cascade in from around the world.

Let's look at what was taking place in November and December. On November 11, 2008, a quotation from *The Vancouver Sun*: "Business confidence in the economy has plunged to a near record low, suggesting that a fall in investment in new plants and equipment will follow the Conference Board of Canada report of Monday."

The Province on November 16, 2008: "Ottawa. The Canadian economy has taken a sudden turn for the worse, with the housing boom finally turning to bust as sales of existing houses plunged 14 percent to a six-year low during October, the steepest monthly drop in 14 years, and prices fell 10 percent from a year earlier."

November 26. Another indicator of economic distress: EI, employment insurance recipients. Provincially the number was up 14 percent in Ontario from a year earlier and 11.2 percent in B.C.

December 2. "Commodity prices pull the market down. Canada's top equity exchange fell fast and hard on Monday as investors reacted negatively to news of a brewing coalition government — more importantly, a steep across-the-board drop in world commodity prices."

[1100]

Given a B.C. economy that's resource-dependent, government revenue fluctuates, certainly, with the rise and fall of world commodity prices. These were signs that were evident everywhere, yet the possibility that this might have an impact on government revenue was, as of December 16, 2008, not acknowledged by the Premier. Still going to run a balanced budget. In touch with the economic reality? I think not.

[S. Hammell in the chair.]

Willingness to persist in that view still continued. The Minister of Finance stated on December 6, 2008: "I

think in difficult economic times it's not the time to be running significant surpluses. In B.C. there's legislation that says deficits are illegal. So I will be bringing down on February 17 a balanced budget." That's December 6, 2008.

Still we're moving slowly forward towards January, but the penny doesn't seem to have dropped yet over there on the Ministry of Finance. While doubtlessly his officials were aware of it, obviously they were having some difficulty getting the minister to take what was doubtlessly their advice about the direction the government revenue was heading — but no awareness that the minister was willing to express publicly.

According to Mr. Fletcher.... He's quoted in this excerpt from the *Abbotsford News*, January 28, 2009, so a couple of weeks ago: "He" — the Minister of Finance — "is still working towards a balanced budget to be presented February 17." So again a plethora of economic news suggesting huge impacts on government revenue cascading down upon us: working people worried about their jobs, their retirement plans, their pensions, the future of their children. But there's a complete disconnect.

The Minister of Finance and the Premier persist in a view that it's not going to have any impact on the budget here in B.C. They'll still be able to deliver a balanced budget, no problem, no problem at all — as recently as, according to that quotation, January 28, 2009. That's only barely a couple of weeks ago — still working on it. It's clear that he hadn't been given the signal from the Premier that it was okay to change his view.

Now, when did this change take place, according to — if we are to believe and accept his word on that point — the Minister of Finance? When did this view change? According to an excerpt from *The Province* newspaper dated February 3, that view had changed yesterday. So that's February 2, according to this report: "After four years of strong surpluses, it will be necessary to run a temporary deficit for the next two years only."

So notwithstanding warning signs beginning, at the very least, in early 2008 and building to a crescendo after the market collapse; financial markets in serious distress in September and October, beginning to spill into the real economy and all the economic indices of employment, investment, commodity prices, housing sales, government revenue — whether it's property purchase tax, commodity resource revenue, retail sales, business foreclosures, business bankruptcies, personal bankruptcies — all of that cascade of information coming in, the minister was only prepared, very reluctantly, to admit reality a mere two weeks ago.

On February 2, 2009, the skies opened up, and I guess there was a chorus of angels. I'm not sure. Some kind of epiphany took place, according to the minister, that made him change his mind, and the Premier was turning over in his sleep and worried about this particular change at that point.

I think what British Columbians will ask themselves is: is this the kind of credible leadership on this point that British Columbians want? The clear and resounding answer will be no, absolutely not.

It's a reluctance to share with British Columbians the economic reality and to make plans for what is taking place, to protect health and education, to deal with the economic reality that confronts people out there and that they are worried about. This minister was not willing to even acknowledge that that would have an impact on the government budget until February 2, 2009, notwithstanding a year of that kind of economic news.

And we still don't know because the minister will not release the information that he says took place in January — the decline of government revenue of \$300 million in a single day. We don't know the composition of that. We don't know the velocity at which it's going down. Like how fast is it going down? To what degree should citizens be concerned? What will be the actual projected deficit? Is it based on reality?

The concern, as we move forward towards a budget a week from now, exactly a week from today, is that given the government's unwillingness to share much of the financial detail and its equally obdurate and persistent refusal to acknowledge that reality, what relationship will this budget bear to economic reality? What stimulus measures will be taken that fit with the depth or the breadth of the economic decline? We don't know. Given the government's track record, we have little reason to have any confidence in what they bring forward a week from now.

What these clippings.... When you view the statements of the Minister of Finance and the Premier over the last six months and the track of economic news, there's a chasm. There's a complete gap. It is two solitudes completely out of sync with reality. It's like an alternate world that some of the kids talk about in video games.

The Minister of Finance and the Premier are off in that alternate world and the rest of us — ordinary citizens worrying about their jobs, their pensions, their children's future — are over here. And something else is going on over there with the Minister of Finance and the Premier — completely out of touch with reality, arrogantly refusing to accept reality and to acknowledge that and to share with British Columbians their plans for the future.

It's important not to minimize just how difficult this endeavour is, and that's why the minister should be sharing this information with the opposition and with the public. It's not proprietary information. He doesn't own it. He has an obligation to share that, and if we are going to fashion solutions together in the Legislature, he has to level with people here and in the province as to what direction he thinks the province will take. But unfortunately, he comes to the budget next week, in my view, completely devoid of any economic credibility on important matters here in the province of British Columbia.

His budget, given that, obviously, it's an important event.... It's politically crucial for the government. But he has squandered the opportunity over the last eight months to have anyone accept what he says with any confidence because he's been so out of touch with reality, and he's refused to level with the citizens of British Columbia in the Legislature and publicly as well.

[1110]

This piece of legislation that's before the House, I think, is something that other members of the opposition will speak to. We are also concerned about the impact that this budget will have on, obviously, major areas of government spending. Whether it's health care, whether it's education, whether it's child protection, whether it's the rural economy, whether it's crime and safety on our streets, we're looking for solutions for British Columbians.

The fear that arises when one listens to this litany of missed opportunities, of refusal to grapple with the economic reality, is that the budget that will be presented next week will do none of that. It will not deal with those problems, will not deal with reality. It will leave British Columbians without the solutions for the kinds of problems that they are confronting out there in the real world, far from the insulated hermetic cells that the Premier and the Minister of Finance appear to live in.

Madam Speaker, I want to draw to a conclusion in my remarks here on this bill. I haven't addressed what the minister referred to as "the financial penalties for cabinet ministers" in the event that a deficit is run. It's been very clear in the past that there are ample opportunities for cabinet ministers to wriggle out of those proposed penalties, and I don't think there's been a single minister who has ever not been let off the hook by some legislative means or other.

I don't think the public need have any confidence in the statement that there's going to be any personal penalty that any of the ministers on the other side will have to pay during the course of the couple of months to come, during which they'll be paid prior to the election. Those penalties are really illusory, window dressing. No one is really going to pay much attention to those. That's really a very minor part of this bill.

With that, I would conclude my remarks and take my place.

Hon. R. Coleman: I'm pleased to rise today to speak on this bill, and at the same time, I want to speak on it from a personal perspective as well as from a government perspective. The reason for that is the fact that this was no easy decision. It was no easy decision for me as an individual or for members of my caucus or cabinet as we came through to try and make this tough decision on whether we would bring this legislation to the House today.

In order to put it in perspective for myself, I have to look back. I've seen tough cycles in British Columbia before.

I've lived through tough cycles in this province before. I started my first business in 1980 after I left the RCMP, and I went into the security business. On one side I was fortunate. I was very successful in the fact that I expanded across western Canada. The other side was that I wasn't so fortunate in the fact that I had 220 employees, and interest rates went to 24 percent.

People don't even remember in some cases or don't know about those interest rates. I know most of us who are a little bit more greying in this Legislature know, but I know the member for Vancouver-Burrard and the Minister of Healthy Living and Sport and the Minister of Labour and Citizens' Services, don't remember those days of 21 and 22 and 23 and 24 percent. But it was a very difficult time to be in business and for people to do the business of the government.

So as we came through that, we again saw different things change. I was in the middle of marketing a number of buildings in the mid-1990s when all of a sudden the real estate market just shut off like that. It wasn't something that happened over a two- or three-month cycle. It actually happened in about a 60-days-or-less period where the market changed.

Now, the real estate cycle always does that. The real estate cycle actually goes on a seven- or eight-year cycle, and you can almost set your watch by it in some ways with regards to it. Sometimes it's hotter, and sometimes it's not. But as you go through these cycles, you actually get a bit of understanding of how different people and governments and what have you have to adjust as time goes on.

[1115]

At the same time, though, I think we can also remember that these are cycles, and these cycles are affected by different things that happen in our economy or economies, which are affected by us.

Now, the thing is that today we see something that I don't think we've seen in my lifetime. I don't think we've seen anything in the lifetime of a number of people who have been in the financial markets. Certainly, even talking to people in their 80s and 90s, they tell me they haven't seen anything like this except for maybe the Great Depression.

The reality is this. We've seen in the past.... Members will know this. Members who sat in this Legislature back in the '80s and the '90s saw when the Japanese economy basically went in the tank, and it had a huge effect on our coastal forest sector. We saw when the European economy changed and then the Chinese economy changed. We saw how the South Asian economy could grow and benefit us as well as the Chinese economy and these other economies with regards to our province. But for all of them to hit the market at one particular time and have difficulty is somewhat unprecedented.

Interjection.

Hon. R. Coleman: Now, I know the member for Cowichan-Ladysmith may want to heckle me through the entire presentation that I want to speak. You'll get your opportunity, Member, to speak to this, but I'm giving you my context personally and from a government's perspective as to what we see in front of us today. If you don't want to hear that, that's fine. You can heckle me or leave the House. It's up to you.

Madam Speaker, the fact of the matter is that this is what we see today, and the member opposite will not want to hear this, because he'll say: "Gee, we don't want to admit to the fact that there's a world economy around us."

The U.S. housing starts today are at a historical low. They have never been lower in the history of that country. On top of that, lumber prices are at a historical low, a 70-year low — \$130 a thousand.

Interjection.

Hon. R. Coleman: The member opposite continues to want to heckle about this, but the member opposite refused to believe that the housing market would affect the B.C. economy last spring during the legislative session and still, today, is in denial about the fact.

Recently in California the treasurer of the state told the people of the state of California that he couldn't pay their income tax returns. He's going to send them IOUs from the state of California. The California economy is one of the largest economies in the world. By itself, it's one of the largest economies in the world.

An Hon. Member: It's No. 6 or No. 7.

Hon. R. Coleman: It's No. 6 or No. 7.

So as we look at that, we have to put in perspective what we're discussing here today. As I put that in perspective, I've also got to believe this. I also have to look at the fact that over the years successive governments in this province have walked up and had to deal with good times and bad times. There can always be an argument as to who did better in any particular cycle. But if you look at the last eight years, we had some very difficult things that had to be dealt with in cycles of government and of our province.

I'll never forget the morning when my pager went off and I was told that two planes had flown into the twin towers in New York. I was just a newly minted Solicitor General in this province on that day. I was told that there were 6,000 people in the air in airplanes about to land in our province because they couldn't land in U.S. airspace. I found out that day how incredibly good the public service of British Columbia was and how incredibly capable they were of dealing with a significant issue — from the emergency program, from the provincial emergency program, from emergency social services — in dealing with that.

The impact of 9/11, as we know, wasn't just on that day. It affected economies. It affected people being able to go back and forth across borders, which also set significant impacts on tourism and other issues that we faced during that period of time. The province came through that.

Then we had floods, some significant flooding that we had to deal with as a province and as a jurisdiction and as citizens. Then we had SARS. Then we had the avian flu and having to deal with the question of whether you destroy 19 million chickens and have to reset an entire industry in the province because of something that faces you. How do you do that and manage it within government?

[1120]

We faced all those, and we faced them, I think, in a way that made people proud of any of us that sit in this Legislature with regards to dealing with issues.

I listened to the critic a minute ago. He does his quotes by date, which is great, but I want to give you the perspective of seeing it live — sitting on Treasury Board, having to be in agenda development, being a minister of the Crown and seeing what's happening around you and how fast this happened.

In 2008 we were sitting here with a \$2 billion surplus, according to our first quarterly report. We sat there and looked at that and said: "There are a number of things that we could do to advance things for the benefit of the province, whether it's investing capital in additional housing, advancing infrastructure. Whatever the case may be, we have this opportunity, because we will have the dollars."

If you look back at what surpluses have done, they've actually helped us in the past to sign 300,000 people that are employed by government to long-term contracts and to give them a signing bonus just not too many years ago.

I know the critic says that on this date the Premier said something and on this date the Finance Minister said something. I'm going to tell you, hon. Member, that when the Finance Minister tells you when we made the decision and really hit the wall, he's not lying to you. He's telling you the truth, because we went through this.

So in September we have a \$2 billion surplus. By mid-November revenues changed in such a way and the economy around the world changed in such a way that the \$2 billion surplus has almost virtually evaporated. The member wondered how that could happen. A \$1 drop in natural gas prices in this province is \$300 million to the bottom line. Go look at what happened to natural gas prices between August of 2008 and December of 2008. Look at the real estate market, property transfer taxes. Look at all of those things that are affected and tell me that you would have known better.

I sat with people in the financial markets, and we talked about it and looked into this. I did my own research as we came through this cycle.

Even in December, as we were taking a break, the people in this government, particularly the people in every single ministry — every deputy minister, every assistant deputy minister, the members of the Ministry of Finance — were working 12, 14, 16 hours a day to find the savings and the streamlining to balance the budget in 2009-10. Those people worked their cans off for every single citizen in the province of British Columbia, and they believed they could get there. They believed that they could work through this.

And we did work through every single ministry and every single thing as we came through to look at how we put a budget together that's balanced for the people of B.C. Madam Speaker, it was not an easy time.

It was a time of looking at program after program, service after service and saying to yourself: "If we're going to get there as revenues continue to decline, what do we have to adjust?" Instead of actually adding 6.5 percent to health care next year, do we hold the line and say no? That's a billion dollars. But does that affect the senior being able to get their hip surgery or a waiting list on some other thing, or does it affect an emergency room? We're faced with an aging population in this province that's unprecedented because of demographics.

Do we say: "If we don't increase the Health budget, we'll just shut down some facilities, and there won't be the same access to health care"? Well that answer was no. You can't do that.

As you come through, do you say: "Do we not allow for contingencies in tough times — for the fact that there's more than likely going to be more people in need of social assistance in the province of British Columbia during this period of time"? Or do we allow for a contingency that says that everyone will be taken care of? We chose that everyone will be taken care of.

[1125]

When you start to put these precedents around your decision-making and then you look at the cost to government and you look at revenues that have gone from a \$2 billion surplus to less than your operating costs of the previous year, it's a tough decision. It's not just a tough decision personally — because I, personally, don't believe in deficit in budgets. It's also a tough decision for a government to make — one that's run on the fact that they believe in no deficits, one that actually brought legislation to say there would be no deficits.

But when you do that, you do that in the light of what you think is your experience in the world with regards to how budgets are made and how economies will operate.

I can't find anybody that could have predicted in any way whatsoever the absolutely incredible, incompetent, fraudulent management of the financial sector in the United States. I cannot find anybody that could....

C. Wyse: Deregulation.

Hon. R. Coleman: We are well regulated, by the way, in Canada, hon. Member. If you want to heckle me about regulation in the United States, I'm saying nobody could have predicted this. You didn't know that this was coming. You didn't have an idea of the depth of it, that it was coming.

Anybody that watched the sub-prime mortgage market in the United States in the last 18 months knew there was going to be a significant challenge in the housing market because of cheater mortgages and what have you that they did. But the fact of the matter is that it was unprecedented, and unprecedented things happen in life. When they do, leaders adjust. If they don't adjust, then they let down the citizens of their province, whether it be opposition or government, when it comes time to look at a situation that is unprecedented, dramatic and did not become apparent that easily, when it's actually flowing through to a budget.

As I said a minute ago, I have nothing but respect for the incredible people that work in B.C.'s public service. I watched them work so hard from October to November, to December, to January, to February. I saw in their faces how hard they wanted to try to actually get to where we could balance the budget. I saw in their faces how they were absolutely committed to the fiscal management of this province, and I know how difficult a decision it would have been for them to give the advice to the Ministry of Finance that we have to look at the budget with a possible deficit.

When I think about it, I know that as we flow through this, there are going to be some rhetorical comments made, comments that will be personal and rhetorical and cheap, because that's politics in British Columbia. I'm not going there, because I've actually seen the process. I'm not going there today.

I know, quite frankly, just how difficult this budget was, because I was at the table, in the meetings and dealing with my own ministry. I know as I looked at this thing and I walked through it, I thought to myself just one little thing. As a minister, sometimes you want to get parochial, back into your ministry, so I'll do that for a second from a personal perspective.

I said to myself: "As we make this decision, do I want to put the 8,000 families in British Columbia that receive rent assistance every month to offset their rents at risk? Do I want to put the 15,500 seniors households in British Columbia that receive SAFER at risk? Do I want to stop the momentum — the fact that there are 4,000 people that were on the streets of British Columbia that are now housed today after a year and a half of outreach workers? Do I want to stop the momentum that we're getting with shelters and turning the thing around with homelessness, mental health and addictions?" And I say: "No, I don't want to see that stop."

[1130]

So I have to recognize that if the difficulty comes, push comes to shove and we have to make the tough

decision, we make the tough decision — at least, I did — on behalf of people I believe in. I made the decision on behalf of the people of British Columbia because there are so many people that rely on government and us as we go forward.

We can debate the technical pieces of the bill that would really talk about it being a two-year issue — that we're proposing to amend the budget transparency amendment act for that period of time, because we feel, in talking and even listening to the bank.... Even reading about and listening to the chair of the Bank of Canada and his predictions for the economy of Canada in the next year or two, you've got to think that maybe we're on the right track for this cycle, that we are doing the right thing.

We also know that every penny of future operating money has got to go back to paying down the future operating debt. As we do that, we have to step up to the plate.

We have to be able to step up to the plate to match up the opportunities for British Columbians, whether it's the \$280 million that's on the table from the federal government for seniors housing, housing for disabled, renovation of social housing projects and perhaps, if our discussions are correct, construction of new and other housing for people with mental health and addictions; whether it's matching up the other hundreds of millions of dollars that the federal government has put on the table for infrastructure to get people, to be able to allow them to continue to work in the province during a tough time as you build the infrastructure at a time when it's more economically feasible because you can get better prices; whether it's about the fact that you actually believe in investing in the province when times are tough so that you're in a more substantial position to actually deal with an economy as it turns around in the future.

That means you make decisions. You're going to build the Port Mann Bridge — 7,000 jobs; South perimeter road — 8,000 jobs; the Sea to Sky Highway — 6,000 jobs. Each one of these projects is jobs. Every time we build a unit of housing, it's 2.5 jobs. Every time we do something like that, it actually keeps people working, bringing home paycheques to their family and keeping them stable during a time when it's very difficult that they see in front of them.

That's the importance of making a tough decision like this one today. None of us — none of us, I believe — are prepared to abandon, on either side of this House, our fiscal discipline. But none of us, on either side of this House, are prepared to abandon the people of British Columbia. None of us, on either side of this House, believe that we shouldn't do something that gives stability to our province over this cycle as we try and adjust to an unprecedented thing that's happened in the world with the economy.

I believe that. I believe that we in this House are actually all people that ran for public life because we care

about the people we represent, and we make our decisions based on that.

Interjection.

Hon. R. Coleman: You know, with maybe the exception of one person in the House who still chooses to heckle, I believe that the people in this Legislature recognize that the financial management of a province and its relationship to the services we provide our most vulnerable citizens are absolutely critical. And I believe — and we've done this for years — that we must continue to actually recognize that, as a society and as a government, as we continue forward.

Before us today is a bill that we will vote on at some time in the next few days. People will want to know: Minister of Finance, why were you quoted, on November 10 or whatever the date would be, saying you're going to have a balanced budget when you knew differently?

Well, he didn't. Because he had asked and launched a program within the province's government to try and find the ways to manage our revenues and look at how we do things better in the future to see if we could get there.

While he was doing that, things were happening in the economies of the world and the revenues available to government at such a level that it was staggering in the quickness of change. Anybody that sits there and says, "I had a crystal ball," is wrong. Nobody had a crystal ball on this one. Nobody could have predicted it.

So as you go through to decide how you're going to deal with this piece of legislation you can do a couple of things. You can actually recognize....

[1135]

Interjection.

Hon. R. Coleman: I see the member opposite wants me to give him some statistics. The member opposite refuses to recognize the most unprecedented investment in housing for homelessness and mental health addiction in B.C.'s history. He refuses to recognize it. He still lives in the world that says we can run mills at \$130 a thousand for lumber. He still lives in a world that says we can sell all the forest products we want to, to an economy south of us that buys 85 percent of it, when they are in the worst housing slump in their history.

The fact of the matter is that the member opposite that likes to heckle does not want to pay attention to this. The member is for Cowichan-Ladysmith. What I want to know from that member, who purports to have other feelings about people, is: when is he going to applaud the new facility for the mentally ill in his riding that's been provided by this government?

When is he going to recognize, first of all, and for once in his tenure in the Legislative Assembly, that he

should decide to think about the senior that needs health care, the family that will need support in tough times, the person that's homeless on our street, the child that's in our education system seeing the highest per-student funding in the history of the province of British Columbia, and the fact that this is a good thing to do as a government — to recognize that, in unprecedented times, we will step up to the plate as a Legislature and set it aside on behalf of the people we care about? That's what we have to do. I'm confident that we can do that.

I'm also confident in the people of British Columbia. I know that this province is better positioned than any jurisdiction in North America to weather this storm.

I also know that the biggest piece of that will be the billions of dollars in economic activity that will weather us through for the 2010 Winter Olympics, which I know the members opposite do not support. I can live with that from them. I can live with that because that's the public position, and they're entitled to it.

But now I want to know the position on this. You're going to vote on a piece of legislation to decide whether British Columbians should go and allow us to suspend a piece of legislation for two years to have a deficit budget.

Think about this: it's not about who gets to spend what. It's about the most vulnerable people in our society. It's about creating jobs for the people of our province. It's about us caring enough to set aside — and I'll tell you — your personal biases and egos to do what you think is important for the people of British Columbia. You do that by showing leadership.

So the decision, as I said, was not easy. To the critic, I say to him: be careful on your accusations of when somebody said something and knew something.

Interjection.

Deputy Speaker: Member, order.

Hon. R. Coleman: To the critic I say that I know there were dates where people can be quoted. I had a list of them when I walked into the House. I chose to use none of them with regards to a member of the opposition in my presentation, because I know how fast this happened.

I saw how difficult it was. I saw how difficult it was for the people, both in the bureaucracy and in government, to look at this thing from a reasonable perspective and say: "Can we actually set those previous issues aside for the people of British Columbia?"

I believe we're doing that. I believe we'll find that on the other side of the House they will do the same, because I think they also recognize that in unprecedented times, in times that have happened at this speed, all they have to do is look at the news and read the media around the world to recognize what we face.

We face a decision here that allows us to do what is right, what I think the people of British Columbia think is right to do. That is, for a period of time to allow government to operate deficits so that we can take care of the people of the province of British Columbia.

[1140]

N. Macdonald: I just want to begin by being absolutely clear. There is no government in the history of British Columbia that has caused more damage to vulnerable people in this province than this one over here.

We are here to debate Bill 48, and this bill changes an existing law prohibiting deficit spending. So that law was put in place. Many at the time said that it was a stunt. It seems clear now that it was a political stunt.

The idea that we have a bill that makes it illegal to run a deficit until the Premier decides to run a deficit — in which case, then, the Premier just comes in here and changes the rules — is frankly ridiculous, but that is what is happening. Whether it makes the Premier toss in his sleep or not, it didn't really stop him in any way. He comes in here, and he changes the rules. It makes you wonder about the thought that went into the law in the first place, and pretty clearly the thinking was not complete.

He put that legislation in a list, a long list, of B.C. Liberal farces — stunts, frankly. We can put it in there with open cabinet meetings, thousand-year leases on B.C. Rail and penalties for ministers who don't meet their budgets.

We're talking about that again. Has there been a minister that has been penalized? Because I've sat through every single time when they don't hit their budget. We come in here and pass a law that excuses them. So it's a long list of stunts.

In the explanation that was given for this legislation and the need to change the legislation so that the government here could run another deficit.... Let's be clear. This is a government that has the record for the biggest deficit in the history of this province. So for them to come in here and put this legislation forward....

We had an explanation from the Minister of Finance in his extremely short rationale for why we're doing this. He talked about the commitment, the need, to protect things that in no way would an average British Columbian say that they have protected — health and education. If there is a weakness for this government, it is in health and education. They have bungled those files more repeatedly than almost any of the other files that they're responsible for.

The minister talked about it in his opening sentence. He repeatedly talked about it. I think it was five times he talked about the fact that we need to do this because we want to protect health and education. Well, I'll be the first among many speakers to say — maybe not the first; maybe the critic for Finance already mentioned it — that that statement simply lacks any credibility.

Now, my background is as a teacher and a principal, and I'm currently the critic for Education. So I'm hearing from parents, teachers and trustees, as I'm sure many of the MLAs are. What you hear consistently is that education — and I'm going to focus on education primarily — has suffered repeatedly with this government. The idea that with this bill they are doing this in some way to deal with education is simply.... As I said, it lacks credibility.

What I am going to express comes from experience, but it is also grounded in what people are saying in my communities in Revelstoke, in Golden, the Columbia Valley and Kimberley, but also across the province, and what I have heard consistently. Public education was not, is not and never will be a priority for this Premier and this government, and anybody who is involved in education at any level in this province knows that to be true.

There are seven years of history that prove that. The fact of the matter is that the funding has not kept up with downloaded costs and inflation, and that is a matter of fact. No matter what the minister or anyone else says about funding levels, they have not met the needs that are there in the education system. The minister knows that, and the government knows that. If you talk to any trustee, they will confirm that, and they've confirmed it publicly to the Education Committee.

[1145]

Having said that, I also want to acknowledge something that is also fundamentally true. We have, over the past number of decades, one of the best education systems in the world, and there is no doubt about that. Now, having said that.... And I would also say that I've taught in other parts of the world, and our education system stands proud compared to any system in the world.

But having said that, you have to remember that that education system did not simply appear. It has to be nurtured, it has to be paid for, it has to be worked for by parents and people who believe in public education, and it did not simply emerge. It was worked for over many, many decades, and we should have every reason to be proud of it, and we should do everything we can to fight to protect it. What I would say is that over the past seven years we have been moving in the wrong direction in many, many areas, and that these need to be corrected.

I've mentioned that I taught in Africa for six years. Africa does not have a public education system that would in any way be comparable. I've taught in Lesotho. That was certainly the case in Tanzania — both wonderful experiences. But it does drive home the point that without an effective public education system, you deny people rights, you deny them freedom, you deny them opportunity, you deny them the right to meet the potential that they have. And if we want to keep those opportunities here in British Columbia, we need a government that makes education a priority. That has not been the case in the past seven years.

I just want to talk about a couple of key areas that parents will be familiar with, that educators will be familiar with

— things that need to be improved, things that have been allowed to fall by the wayside over the past seven years that the B.C. Liberals have been in charge.

The first one that I would speak to is special education. We have integrated our classrooms, and that is a wonderful thing. That is definitely the direction to go. But if you do that, you need to make sure that you are giving students that are in classrooms the opportunities to excel, and to do that you need to make sure that the special education resources are there.

As a principal, in my final year before being elected, I also taught grade 7 half-time. Now, as a legacy of previous years, I had some of the resources still there for me. I had the fortune to teach a student with a type of autism that I was not knowledgeable with. I was fortunate because it was a good experience for me, and I believe it was a good experience for the student, but I could tell you that that good experience only happened because I had the support of Donna Mozell, an extraordinarily experienced special education teacher. And I also had a teaching assistant that was knowledgeable about autism.

Between 2001 and now most of the cuts that the B.C. Liberal government has made in education have been with the following: with special education, learning assistants, teacher-librarians and English-as-a-second-language teachers. Over a thousand were cut, and of those, 600 were professionals working in special education. If special education is not done properly, we do a tremendous disservice to the parents and to the children that need those services.

I believe that the wisest investment that we make is to invest in our children. And yet when you remove services in special ed, you are taking that opportunity away from them, and in the long term it is wrong at every level to do that.

So with that record of moving backwards over the past seven years, and given the importance of special ed support, we need to be looking and really questioning the rationale that's being given here by the minister that somehow what we're doing here today is for the betterment of education.

What needs to happen is a commitment to proper education, special education support. Resources need to be focused, in my view, in creating the best possible learning conditions in the classroom.

[1150]

There has to be a plan, which I don't see as existing in any way right now. If we are making any sort of testing a priority, it must be the analytical testing that allows teachers to develop educational approaches that will give children an opportunity to meet their potential. That is where the focus needs to be.

Right now parents have to wait a ridiculous amount of time for that testing, and often it comes years after it should. There is no way that that should be happening in the system now.

This government puts this bill forward for the stated purpose.... The minister said five times that he wants to protect education, but I can say unequivocally that the B.C. Liberals in their seven years have made special education worse. That's wrong, and that has to change.

Learning conditions have also suffered from the government's neglect in dealing with the class-size and composition issue. Now, you can make students sit quietly — I once taught a class of 56 students in Lesotho — but the educational situation in a class becomes more and more challenging the larger the class becomes, especially if you are dealing with individualized education plans. There is a limit to how many you can manage effectively, and that's the fact of the matter.

[Mr. Speaker in the chair.]

This minister says that we need to protect education, but the fact of the matter is that over the past seven years the class composition and class-size issue has not been dealt with effectively. In 2002 the B.C. Liberals destroyed the old method, which was to have class size and composition set in collective agreements. That was a method that I found worked. Until 2006 there was nothing in place, and with all the downloaded costs, there was really a crisis in learning conditions. That exists to this day.

Bill 33 was introduced here in 2006. The minister at the time said that that bill would deal with the issue, but there were 10,000 classes last year that did not meet the standard of no more than 30 students in a class and no more than three students on individualized education plans. With Bill 33 a standard was set, and with Bill 33 what we found was that the resources were not put in place to support Bill 33. So over 10,000 classes did not meet the legal standards set by Bill 33.

This year it is worse. The numbers we've seen show that the number of classes that do not meet standards is actually increasing. So the fundamental problem is that the B.C. Liberals, in creating the legislation, did not fund it. That was predictable. That was something that trustees were telling the government as soon as it was introduced — that it had to be funded. In fact, in this House members told the government.

When the Minister of Finance talks about this legislation as being put in place to support education, it lacks credibility. What we have seen for seven years is that education and health are simply not priorities for this government.

In my view and in the view of my colleagues, all resources really need to be focused on improving our children's learning conditions. We cannot have children in oversized classes. It's not fair to our children. Like I have said before, if you believe that the wisest investment that we make is in our children, then it's a situation that would have been changed by this government long

before. The fact of the matter is that it has been allowed to get worse year after year, and that trend continues.

The B.C. Liberals also promised in 2005 that 80 of the most dangerous schools would be upgraded seismically. There is naturally a concern about earthquakes. That commitment in 2005 was given on behalf of the Premier, and it was clear — 80 schools completed by 2008.

Well, it didn't happen. Barely a third of what the Premier promised was completed in that time. So no sensible British Columbian would think, having heard that, that what the Minister of Finance says is accurate — that education has ever been a priority for the Premier and this B.C. Liberal government.

[1155]

The Premier says that this bill is to protect education. Well, people remember when we used to build schools in this province. While there are some that are being built now, 177 schools have closed — eight in my district. Most are in rural British Columbia. Most are in small communities. These are small community schools. The implications for that are that they leave long commutes for children that are very, very young.

The fundamental change was not only the downloaded costs that affected everyone but also a change to the funding formula that hurt small community schools the most, and certainly, rural schools make up the bulk of those. That is why, predominantly, you see the 177 school closures taking place in rural areas.

I had a school of about 120 when I was a principal at Nicholson Elementary. Once a school gets close to a hundred with this funding formula, it is very difficult to maintain funding. So one of the things that needs to take place is a new funding formula that meets the needs of rural British Columbia.

If you look at school districts that were forced to run only four days of school instead of what we would consider the normal five, you will also see that they are all in rural British Columbia.

Now, I look forward to continuing with the debate. I realize that it is now time to adjourn for the moment. So what I would move is that we adjourn debate, and I would ask the Speaker for the right to speak again when we return.

N. Macdonald moved adjournment of debate.

Motion approved.

Hon. B. Penner moved adjournment of the House.

Motion approved.

Mr. Speaker: This House stands adjourned until 1:30 this afternoon.

The House adjourned at 11:57 a.m.

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