

BC SOLUTIONS

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5.2 million reasons the fossil fuel industry has the BC government's ear

BY NICOLAS GRAHAM, SHANNON DAUB & BILL CARROLL

The problem of corporate influence in politics and government is heating up in BC as we head towards the May election. 2017 kicked off with an explosive story in the *New York Times*, aptly titled "British Columbia: The Wild West of Canadian Political Cash." The story drew widespread attention to the complete absence of limits in BC on political donations by wealthy corporations and individuals, including foreign donations and contributions from outside the province.

The international spotlight highlighted a problem of central concern to us at the Corporate Mapping Project (a major research initiative led by the University of Victoria, the CCPA and the Parkland Institute). In our latest study, we took a close look at political donations by the fossil fuel industry specifically. We also analyzed data from the BC Lobbyist Registry to find out what kind of access to government these donations help secure. The results are, quite simply, jaw-dropping. →

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BC Office

Table 1: Top ten fossil fuel industry donors to BC Liberals & BC NDP, 2008–2015

Company/organization	BC Liberals	BC NDP	Total	Headquarters	Primary activity
Teck Resources	1,502,444	60,090	1,562,534	Vancouver, BC	Mining (diversified)
Encana	896,466	63,775	960,241	Calgary, AB	Gas and oil production
Spectra Energy	232,955	51,725	284,680	Houston, TX	Gas and oil pipelines
Fortis BC	210,073	56,440	266,513	Surrey, BC	Gas distribution
Canadian Natural Resources Ltd	242,000	5,500	247,500	Calgary, AB	Gas and oil production
Enbridge	198,415	12,650	211,065	Calgary, AB	Oil and gas transport
Chevron Canada (Chevron)	140,363	9,675	150,038	Calgary, AB	Gas and oil production and retail
Pristine Power (Veresen)	137,475	0	137,475	Calgary, AB	Gas transport and distribution
Canadian Association of Petroleum Producers	101,950	10,375	112,325	Calgary, AB	Oil and gas lobby
Imperial Oil	111,790	0	111,790	Calgary, AB	Gas and oil production and retail
Totals	\$3,773,931	\$270,230	\$4,044,161		

BIG MONEY

We tallied up all political donations by fossil fuel companies and industry organizations to the BC Liberal Party and the New Democratic Party of BC (the two leading parties) between 2008 and 2015. This time period covers the last two election cycles and corresponds to the steady increase in natural gas production, which ramped up starting in 2008–09.

Over this 8-year period, 48 fossil fuel companies and industry groups donated a whopping \$5.2 million. This accounts for just under 10 per cent of all donations from corporations and business associations, and is just over half the total donated by real estate firms (the largest sectoral contributors).

Donations to the BC Liberals spiked significantly in 2013 as well. In addition to a provincial election, this increase coincided with a major push by the government to develop an LNG export industry.

As Table 1 shows, the top 10 donors contributed more than three-quarters of the \$5.2 million fossil fuel industry total.

Among these top donors there is a distinct geography of giving, with firms mostly headquartered in Calgary. Only two of the companies are headquartered in BC. One company — Spectra — is headquartered outside of Canada. And Chevron Canada and Imperial Oil are foreign-controlled subsidiaries of US-based parent companies.

Five of the top donors — Encana, Canadian Natural Resources

Ltd, Enbridge, Imperial Oil and Teck Resources — rank among the ten most profitable Canadian fossil fuel corporations.

We also found substantial donations from oil and pipeline companies with only limited operations in BC, but whose ‘adjacent interests’ (i.e. the desire for oil from Alberta tar sands to reach BC “tidewater”) are presumed to motivate giving. Notable contributions over this period (largely directed to the BC Liberals) came from Cenovus (\$85,425), MEG Energy (\$65,510), Suncor (\$60,420), and Texas-based Kinder Morgan (\$20,000).

In 2014–15, newly formed LNG operators made significant donations — Pacific Northwest LNG, Steelhead LNG, Prince Rupert Gas Transmission, and Woodfibre LNG contributed \$110,650 to the Liberals and \$15,500 to the NDP.

Of the total donated by the fossil fuel industry over the seven-year period, \$4.8 million — 92 per cent — went to the BC Liberals. Donations to the BC NDP increased in 2012 and 2013, with the party receiving 13 per cent and 22 per cent of the total share in those respective years as corporations hedged their bets in advance of the 2013 election.

Donations to the BC Liberals spiked significantly in 2013 as well. In addition to a provincial election, this increase coincided with a major push by the government to develop an LNG export industry. Political donations from the natural gas sector doubled in 2012–13 compared to 2008–09, which parallels increasing rates of natural gas production and the introduction of regulations and subsidies designed to support unconventional gas development in the province’s Northeast.

But political donations are only part of the story. These contributions help fossil fuel corporations secure access to key political decision makers. And on this score the numbers are equally alarming.

UNRIVALED ACCESS

Information on lobbying became publicly available in BC starting in 2010 under a newly-introduced Lobbyist Registration Act. The Act requires lobbyists to register and report whenever they communicate or intend to communicate with a public office holder in a lobbying effort. (Unfortunately the Act doesn't distinguish between actual and intended lobbying — thus all figures referenced here include both.)

We conducted an exhaustive search of the Lobbyist Registry and found 43 fossil fuel corporations and industry groups with registered lobbying efforts between 2010 and October 2016.

The top 10 most active corporations and groups were responsible for more than three-quarters of lobbying by the fossil fuel sector. These top 10 reported a combined total of 19,517 lobbying contacts with public office holders over the six-year period (see Table 2). That's an average of 14 lobbying contacts per business day. Not surprisingly, there is substantial overlap between political donations and lobbying, with seven of the top ten political donors also ranking among the top ten most-active lobbyists.

The high volume and frequency of lobbying reveal the pressure these corporations are able to put on public officials in a sustained effort to influence government policy. Twenty-eight per cent of lobbying contacts by the top 10 were with cabinet ministers — an unrivaled opportunity to shape public policy. Rich Coleman, Minister of Natural Gas Development and Housing, is the most-targeted minister with 778 contacts by the top 10 firms. This amounts to an average of three contacts per week for Coleman alone over the six-year period. In addition to these contacts with cabinet ministers, companies targeted ministerial staff (such as deputy ministers). The most-targeted ministries and agencies include the Oil and Gas Commission — which was the target of 984 contacts by the top 10, with Encana, Chevron and CAPP leading the way.

The range of topics reported by the top 10 shows they seek to influence policy related to issues such as royalty rates from fossil fuel extraction, land access, corporate taxation, consultation processes with First Nations, greenhouse gas emissions, and LNG development, among others. We also found lobbying efforts aimed at influencing broad policy frameworks, such as the 2016 Climate Action Plan. Indeed, from October 2015 to August 2016, CAPP alone reported 201 lobbying contacts with government ministers and agencies in relation to the Plan (which turned out not to be much of a climate plan at all).

Other active lobbyists beyond the top 10 include Talisman (at 515 contacts), Kinder Morgan Canada (462), Canadian Natural Resources Ltd (399), Shell Canada (298), Imperial Oil (282), Penn West Petroleum (252), Husky Energy (215), Suncor (148), and Altagas (106).

A number of newly-formed LNG operators and industry advocacy groups are also highly active, such as Pacific Northwest LNG (with 417 contacts), the BC LNG Alliance (101), LNG Canada Development (89), Woodside Energy (74), Petronas (42), and Steelhead LNG (16).

Together these numbers reflect the fossil fuel industry's status as

Table 2: Top 10 fossil fuel industry lobbyists in BC

Organization	# of contacts
Spectra Energy	4342
Enbridge	2510
Fortis	2377
Encana	2265
Chevron Canada	2256
Canadian Association of Petroleum Producers	1848
Teck	1538
Transcanada	1002
Cenovus	814
Canadian Energy Pipeline Association	1848
Top lobbying contacts	19,517

the top sectoral lobbyist in the province. The amount of lobbying by environmental organizations — which are among those most likely to oppose increased fossil fuel development — pales in comparison. There are only eight such organizations with active lobbying efforts, reporting a total of 1,324 contacts over the same six-year period.

These findings paint a deeply troubling picture of the state of democracy in BC. Everyday citizens, First Nations and public interest organizations can only dream about the kind of access powerful fossil fuel corporations and industry groups enjoy thanks to their deep pockets. In a province where the government has pursued fossil fuel development with remarkable single-mindedness, and at a time when the climate crisis requires us to begin winding down rather than ramping up these industries, reforms are direly needed.

Whoever wins the provincial election this May, a first order of business should be to ban political donations by anyone other than individuals whose primary residence is in BC, cap individual contributions at a modest level that prevents wealthy donors from having undue influence, and substantially tighten the province's Lobbyist Registration Act.

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BC's new (affordable?) housing policies

BY MARC LEE

In 2016, the BC government set out several new actions intended to address housing affordability. But as 2017 begins, Metro Vancouver continues to have a massive problem – in both home ownership affordability and rental markets. This threatens to undermine the region's long-term prosperity by driving out young people and making it harder to attract people to the area.

The biggest news of 2016, and the most laudable, was the surprise announcement of a 15 per cent property transfer tax (PTT) for foreign purchases of homes in Metro Vancouver. Emulating policy in Singapore and Hong Kong, the new tax represented a major reversal for a BC government that had long been dismissive of concerns about external capital flows inflating Vancouver real estate. The July 25 announcement sparked a rush to close deals by the August 2 deadline, and the government was (rightly) criticized for not grandfathering in already-signed deals that happened to close past the deadline.

Nonetheless, the early evidence shows that the tax has significantly cooled foreign purchases. Between June 10 (when BC first began collecting citizenship data on home purchases) and July 15, there was an average of 27 Metro Vancouver homes, valued at more than \$25 million, purchased by foreign investors every day. By

September and October foreign purchases fell to an average of four homes purchased by foreign buyers (\$3 million invested) per day. In dollar terms, this is an 88 per cent decline.

In terms of revenues, the foreign buyer tax raised \$24.6 million in its first three months. The Ministry of Finance's first quarterly report estimated the new tax would raise \$255 million on an annualized basis. So it seems that the new tax has had a bigger impact on foreign buyers than intended.

A contributing measure may be a more progressive property transfer tax overall. Budget 2016 added a third tier of 3 per cent on value above \$2 million. This somewhat follows the UK where a steeply progressive PTT has helped cool the London market.

In terms of impact, stats from the Real Estate Board of Greater Vancouver show that by fall 2016 total home sales were almost

40 per cent lower compared to a year earlier. Some caution here is needed, however, in that the volume of home sales had already started to drop relative to 2015 levels before the foreign buyer tax was announced.

Home price inflation has now paused; technically there were some small price drops in recent months, but not enough to make much of a dent compared to gains made going back a full year. For example, in December 2016 a single-family home fell by 5 per cent compared to six months earlier, but is still up 19 per cent compared to 12 months earlier.

Prices certainly have not dropped back to anything close to “affordable,” but there is good reason to believe that housing prices peaked last summer.

The big question for 2017 is what happens next: stability in prices, a mild downturn, or that moment when gravity finally catches up to Wile E. Coyote?

This leads to the new and more problematic BC government program of interest-free loans for five years to first-time buyers, with the loan repaid (with interest) over the following twenty. This is recognized as a “second mortgage” with a maximum loan of \$37,500. At that maximum and at standard mortgage rates this works out to a subsidy of \$1,000 to \$1,500 per year for the five years.

The new program was widely panned by economists when announced in December for the same reasons it won praise from developers and the construction industry: it artificially boosts the market by encouraging new buyers to take on increased household debt. This points to a shift in the government’s mindset: having made some modest moves to cool the market, they now seek to boost the housing market before the May election. It also piles on to existing efforts that exempt the property transfer tax for first-time buyers and for newly constructed homes (the latter announced in Budget 2016).

WHAT ABOUT THE RENTAL MARKET?

Much of the media attention focuses on the home ownership market. But housing affordability policies must also address the challenges facing renters (one-third of Metro Vancouver households) in a very tight market. Some municipal governments, the City of Vancouver in particular, have created incentives for the construction of new rental apartments. However, according to the BC Non-Profit Housing Association, a growing population means Metro Vancouver needs much more — about 5,000 new units every year just to keep pace. More again if we are to address growing needs for seniors’ housing or to address homelessness in a meaningful way.

A modest amount of new social housing was announced in Budget 2016, \$355 million to build 2,000 units. In September an additional \$500 million from surging PTT revenues will support 2,900 units.

These one-off housing investments are important, but to really address affordability Vancouver needs a steady build-out of dedicated affordable housing, not one-time only initiatives in an election year. We need senior governments to step in with the express purpose of building new affordable housing stock. The federal

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government will help this effort, with the 2016 federal budget and Fall Economic Statement together committing to support a range of housing investments.

The BC government also changed legislation to allow the City of Vancouver’s request to levy an empty homes tax to boost the amount of rental properties. This new tax comes into effect this year at a rate of 1 per cent of assessed value. The city estimates between 1,500 and 4,200 units will be brought into the rental market as a result of the tax. In addition, the city’s new policy on Airbnb and other short-term rentals may help keep more units in the market as long-term rentals.

WHAT’S NEXT?

It is good news that governments and political parties are locking on to housing affordability as a central public policy issue, and are exploring a range of tools. But efforts to date have been inadequate, and are not likely to lead to broad-based affordability in either the rental or ownership markets. The lesson of recent years is that we need a more rational planning and management of the housing market in the interests of local people.

My “big bang” framework for affordable housing has five planks, focused on actions for the BC government (see the report at policyalternatives.ca/fix-housing):

- substantial new public investments to develop new affordable housing;
- protecting and reinvesting in existing affordable housing, including energy efficiency retrofits and upgrades;
- inclusionary housing in the development of more dense, complete communities;
- putting the brakes on external capital; and
- making property taxes fair, including reforming the home owner grant.

In most of these areas we saw progress in 2016, but the report points out that there is much more the BC government can and should do to support affordable housing. The coming BC budget and pre-election period provide a new opportunity for the BC government (and all political parties) to up their game on affordability.

Marc Lee is a senior economist at the CCPA-BC and author of Getting Serious About Affordable Housing: Towards a Plan for Metro Vancouver at policyalternatives.ca.

A bleak jobs picture outside BC's big cities

BY IGLIKA IVANOVA & SETH KLEIN

We hear a lot about BC's strong jobs performance — our premier and members of her government mention it in just about every speech and media appearance. On the surface, it sounds like a good news story with over 73,000 new jobs created in 2016 while many provinces actually lost jobs. But what the premier doesn't say is that most of these jobs were created in Metro Vancouver and Victoria, and our longer-term track record on job creation is much less rosy.

The headline-making job creation numbers mask large regional disparities across the province. Outside Metro Vancouver and Greater Victoria, BC's jobs story is nothing to brag about.

Recent job growth also comes on the heels of six years of slow recovery since the 2008/09 recession. BC ranked near the bottom of the pack compared to other provinces between 2009 and 2015, ahead only of New Brunswick and Nova Scotia (based on job creation as a share of all employment, the best way to compare provinces of different size). Adding last year's strong job performance bumps BC to third place — behind Ontario and Alberta (which despite the job losses suffered this year has seen the strongest net job creation in Canada since the recession).

The picture, however, becomes very bleak when we get out of the Lower Mainland, where the vast majority of job growth is located. The Metro Vancouver urban area is home to the vast majority of all net new jobs created in the province in 2016 (83 per cent). The broader Lower Mainland/Southwest region of BC, which includes the Fraser Valley, Squamish, Whistler and the Sunshine Coast, is

home to 94 per cent of BC's net job growth.

The only other economic region that saw net job creation last year is Vancouver Island/Coast, which gained just over 9,000 jobs — two-thirds of them in Greater Victoria.

All other regions of BC lost jobs in 2016 (see Figure 1).

Communities in the interior and the north of the province — Thompson-Okanagan, the Cariboo, Kootenays, North Coast/Nechako and the Northeast — saw net job losses last year. For many of these regions, the job losses came on the heels of hard times — they were hit particularly hard by the recession after already struggling with the decline in forestry jobs.

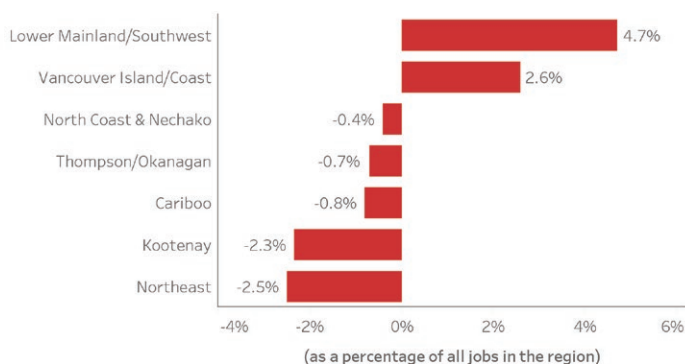
An increase in commodity prices post-recession and the BC government's 2011 Jobs Plan were supposed to breathe life into the more rural regions of our province, but this largely did not happen. Despite a brief boost in jobs and economic activity in the Cariboo and the Northeast, most BC regions have yet to recover the jobs lost in the recession seven years ago.

As seen in Figure 2 (next page), net job losses post-recession have come close to or exceeded 5 per cent of all employment in each of Vancouver Island/Coast, Kootenay, Cariboo and North Coast/Nechako regions. The Lower Mainland and the Northeast are the only regions where there are more jobs today than there were before the recession hit in 2008. But this was not all good news for the Northeast because it saw sizeable job losses in 2016.

So, BC's economic activity and jobs have become increasingly concentrated in the Lower Mainland/Southwest region post-recession, from 61 per cent of all jobs in 2008 to 65 per cent of all jobs in 2016. This is exactly opposite the much-needed revitalization of BC's North and Interior that the premier's Jobs Plan was supposed to accomplish.

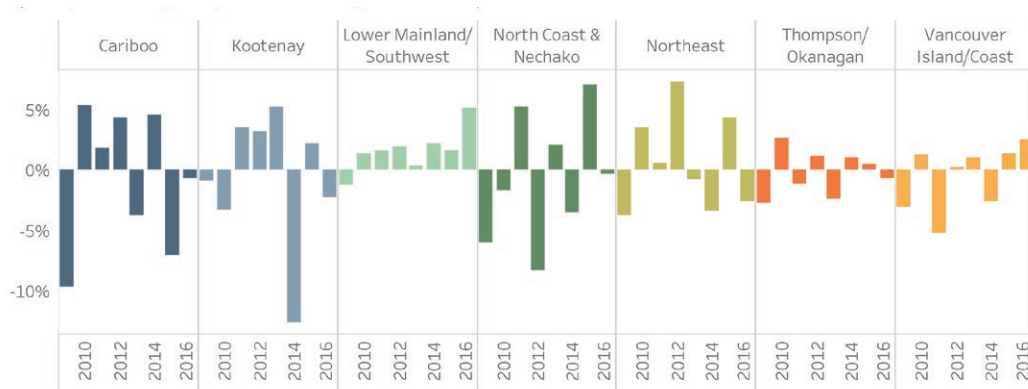
Another way to look at the regional jobs picture is the unemployment rate. Unemployment rates dropped below 6 per cent in 2016 in BC's Southwest

FIGURE 1: JOBS CREATED/LOST IN 2016 BY ECONOMIC REGION



SOURCE: BC STATS. LABOUR FORCE STATISTICS DATA. DECEMBER 2016. TABLE 9.

FIGURE 2: JOBS CREATED/LOST IN EACH REGION BY YEAR (AS A PERCENTAGE OF JOBS IN THE REGION IN 2008)



SOURCE: BC STATS. LABOUR FORCE STATISTICS DATA, DECEMBER 2016, TABLE 9.

corner — to 5.8 per cent for Vancouver Island/Coast and 5.5 per cent for the Lower Mainland/Southwest. But elsewhere in the province unemployment rates are well above 7 per cent.

In the Northeast, a region that saw a big employment boom when gas production and exploration was still strong, the unemployment rate climbed from 5.9 per cent in 2015 to 9.7 per cent in 2016 — a dramatic and distressing about-face.

It's no surprise then that outside of Metro Vancouver, employment and the economic situation is the greatest concern for families, according to the Vancouver Foundation's latest *Vital Signs* report.

This is why BC needs a new bold jobs plan that would revitalize communities in every corner of the province, the framework for which we've started to develop (see policynote.ca/goodjobsbc).

In the months leading up to May's provincial election, we'll be hearing lots about jobs. But be advised — parse those numbers out because the jobs story varies greatly by region. Breaking down the numbers reveals that many in our province are experiencing less economic security, not more.

Igluka Ivanova is a senior economist and public interest researcher at the CCPA-BC. Seth Klein is the BC Director of the CCPA.

Is Canada exporting its climate problem?
ANSWER: **YES.**

WE NEED GREEN INFRASTRUCTURE, NOT MORE PIPELINES AND LNG.

PHOTO: GARTH LENZ

Canada responsible for dramatic rise in emissions from fossil fuel exports

A recent Corporate Mapping Project study by Marc Lee, which we co-published with Alberta's Parkland Institute, shows a dramatic rise in Canada's greenhouse gas emissions from fossil fuel extraction.

If all producer countries act like Canada and continue down this path, we'll fail to meet the targets set by the Paris Agreement on climate change and be complicit in allowing global temperatures to rise to extreme, harmful levels.

Visit policyalternatives.ca/extracted to learn more and read the report.



The great log export drain

BY BEN PARFITT

Its members include the most powerful players in the province’s forest industry, companies that do the vast majority of all logging on British Columbia’s coast. Its website boasts of “innovative, high-tech” companies whose workers turn out “a growing array of forest and wood products.” But in truth, members of the Coast Forest Products Association (CFPA) are far from the job creators they could be.

While forest industry manufacturing on BC’s coast stagnates, CFPA member companies ship millions of cubic metres of raw, unprocessed logs out of the province each year.

Since 2013, the year Premier Christy Clark led her government to re-election, nearly 26 million cubic metres of raw logs worth more than \$3 billion were shipped out of BC. No previous BC government has sanctioned such a high level of raw log exports on its watch or been so mute about the consequences. Last year, slightly less than 6.3 million cubic metres of raw logs left the province. Had those logs been turned into forest products here at home, BC’s sadly neglected and stagnating forest industry could have employed at least another 3,600 people.

With the provincial government having invested so much political capital in a largely failed attempt to create a new Liquefied Natural Gas (LNG) industry in BC — an initiative in tatters with only one company having committed to a modest project that may one

day employ 100 people — thousands more forest industry jobs may soon be on the chopping block should the upward trend in raw log exports continue unchecked.

Ironically, the location of the promised LNG plant on Howe Sound is near the community of Squamish on lands once occupied by the Woodfibre pulp mill, which closed in 2006. Such an LNG plant would be no replacement for a forest industry that — if properly regulated — could generate thousands more high-paying jobs in rural communities. Barring changes in government policies, there is every reason to believe that a similar fate awaits other pulp mills and sawmills on BC’s coast, in part because so much of what is logged today never enters a domestic mill.

Raw logs are, strictly speaking, forest products, but they are the most rudimentary and lowest value of all products derived from trees. Depending on the age and quality of the log, real value-added would mean transforming those logs into the studs and joists that

frame our houses, the floors we walk on or the acoustic guitars and pianos we play.

In 2016, log exporters sought to ship nearly 8.1 million cubic metres of raw logs from the province (although in the end only 6.3 million cubic meters were actually shipped), a 16 per cent increase over the year before. The increase meant that nearly one in three trees logged on the coast left the province in raw log form. But cubic metres are a rather abstract measurement and don't convey what is actually at stake with such exports. To understand what 6.3 million cubic metres means in terms of lost domestic manufacturing opportunities, if those were turned into lumber at BC mills, enough would have been produced to build nearly 134,000 homes, equivalent to approximately half of Vancouver's standing detached housing stock.

As the exodus of this valuable raw commodity continues, rural communities pay the highest social and economic costs, deepening the divide between modest job growth in BC's major urban centres and declining job opportunities everywhere else.

The large number of raw logs exported by CFPA members is not something that the association boasts about. But of the nearly 8.1 million cubic metres of logs that companies hoped to ship from BC in 2016, just shy of 3.8 million cubic metres or close to half of the tally originated with CFPA member companies. And it is likely that these figures do not reflect the true extent of member companies' involvement in exports.

A look at job trends in the provincial forest industry over the past 10 years is not encouraging. It shows that jobs in workplaces where people actually turn logs into wood products have steadily declined. Between 2006 and 2012, the number of people working in sawmills where lumber and other solid wood products are made dropped by one quarter. Job losses in pulp and paper mills have been even more drastic, declining by nearly one third. Adding to that sector's woes, the healthy functioning of pulp and paper mills is directly tied to the number of sawmills operating in BC because pulp and paper mills typically rely on wood "waste" from sawmills — the chips and sawdust left over from the lumber-making process — as a major source of their wood fibre.

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Job losses in the logging sector have been far less dramatic, falling 10.5 per cent during the 10-year period. However, in recent years, the sector has actually posted sizeable increases in employment, rising by nearly one third between 2011 and the end of 2015. The steady stream of raw logs exported from the province has fuelled at least some of this growth.

Jobs in sawmills also picked up during the past five years, largely because of resurging house construction in the United States.

As the exodus of this valuable raw commodity continues, rural communities pay the highest social and economic costs, deepening the divide between modest job growth in BC's major urban centres and declining job opportunities everywhere else.

However, job gains in this sector had nothing to do with new sawmills being built and everything to do with increased production at existing mills. The lion's share of the increased output occurred in the interior of the province, not on the coast. In coastal BC, not a single new sawmill of note has been built in well over a decade. The Teal Jones Group was the last company to build a new sawmill on the coast, a \$30-million venture constructed in 2003.

Under existing rules, logs deemed "surplus" to domestic milling needs essentially have the government's green light for export. This raises a thorny question: If more sawmills close — an eventuality many foresee as old-growth forests diminish — will log exports climb further still? Many forest industry workers fear the answer is yes. Nothing will prevent a surge in exports without more investments — and soon — in state-of-the-art sawmills designed for second-growth logs.

In the absence of more mills, we can only estimate the effect of raw log shipments from BC regarding foregone job opportunities. Assuming that enough mills were built to handle the more than eight million cubic metres of logs that left the province in 2016, and assuming that those mills matched the provincial average in terms of jobs generated per unit of wood, another 4,700 people could be working in the industry. More recutting of wood into higher-value components would generate even more jobs.

Laying the groundwork for getting more mills built is another matter, however. That's because in 2003, the provincial government abandoned a long-standing policy that had helped to ensure that forest industry manufacturing jobs stayed in the province. Under the old rules, the provincial government granted forest companies rights to log trees on publicly owned or Crown lands in exchange for those same companies operating mills that processed the logs from those lands.

The scrapping of those rules flung the door wide open for companies to close mills without fear of reprisal, a move that was underway before the clauses were abandoned but that sped up dramatically after. Since 1997, an estimated 100 mills have closed in BC.

To learn more about what may be at risk as the provincial government continues to ignore BC's languishing forest sector, read Part 2 of this piece at policynote.ca/log-export-two.

Ben Parfitt is the resource policy analyst at the CCPA's BC office. Ben's expose of BC's log exports was released in late February. On the basis of his analysis, a coalition of forestry unions and environmental groups — the Public and Private Workers of Canada, Unifor, the Wilderness Committee, Sierra Club of BC and the Ancient Forest Alliance — issued a call for the government to take action to curb log exports and institute policies that would boost local wood processing.

The biggest source of waste in Canadian health care? The private, for-profit sector.

BY ALEX HEMINGWAY

Brian Day's legal battle against universal public health care in Canada is now before the BC Supreme Court. Day — along with other would-be profit-makers — are hawking unprecedented privatization as the solution to challenges in Canada's health care system.

Two crucial facts are often missed in debates about public vs. private health care. First, Canada already leaves more of our health care to the private sector than most industrialized countries. And second, the private, for-profit sector is the single biggest source of waste and inefficiency in Canadian health care.

The private health sector in Canada has grown to nearly a third of total health expenditures, largely in the form of out-of-pocket payments and private extended health insurance. That's because important health services like prescription drugs, mental health supports, dental care, optometry, physiotherapy, and home and community care largely fall outside the scope of public coverage — much more so than in Europe. The result of our high levels of private health expenditure is billions of wasted dollars annually.

One of the most glaring examples is our lack of a national prescription drug plan. Health policy experts estimate that a national pharmacare program would actually reduce the total cost of prescription drugs in Canada by \$7.3 billion each year. The lack of public prescription drug coverage in our health care system makes Canada an international outlier, and erodes access to critical medications.

To add insult to injury, Canada's largely privatized pharmaceutical arrangements are much more expensive than what universal public drug coverage would cost. UBC Professor Steve Morgan estimates that, under current arrangements, Canada will waste approximately \$100 billion over the next decade, compared to if we launched a national pharmacare program.

Another major source of waste in Canadian health care is the bloated administrative costs of the private sector. The Canadian Institute for Health Information finds that the total share of private

health expenditures going to administration is more than triple the share in our public health system.

Furthermore, for-profit extended health insurance in Canada is among the most inefficient in the world. Health policy researcher Michael Law found that Canadians pay \$6.8 billion more in private health insurance premiums than they receive in payouts from claims in a given year. That means for every dollar paid, Canadians only receive \$0.74 in benefits.

We also know that the lack of public coverage for mental health services is enormously costly — at least \$50 billion annually. Yet, for example, a massive national program to make psychotherapy more widely available would cost on the order of a few hundred million dollars. Boldly expanding the scope of public mental health coverage in Canada would deliver enormous savings and, more importantly, a crucial social good.

Another major inefficiency arises from low public investment in home and community care for seniors and people with disabilities. Without access to these kinds of services, seniors are more likely to end up in crisis, which requires expensive emergency room care and inpatient hospital beds.

There are a number of public sector solutions to surgical wait times, including moving to a "first available surgeon" model where waitlists are pooled for different surgery types; properly staffing operating rooms; and adopting best practices province-wide. Diverting public dollars to private clinics is not the solution: the international evidence shows that private clinics fail to improve wait times while they increase costs and reduce quality of care.

Nonetheless, Brian Day and others continue to press for a massive expansion of private surgical clinics, and privatization writ large in our health care system.

But, as we've seen, if there's a health care lesson from Europe, it's that we can and should have a much broader scope of public health coverage in Canada. Evidence shows that we can have a more just, equitable and comprehensive universal health care system that costs less and provides higher quality care for all. This can't happen, however, if the misinformed privatization agenda wins the day.

Alex Hemingway is the Public Finance Policy Analyst at the CCPA-BC.



BC's Jobs Plan doesn't equal a comprehensive poverty reduction plan

BY SETH KLEIN, IGLIKA IVANOVA & ANDREW LEYLAND

British Columbia is the only province or territory in Canada that stubbornly refuses to develop a poverty reduction plan. This is not because BC doesn't have a poverty problem. In fact, despite being one of Canada's wealthiest provinces, BC has the second-highest poverty rate in the country at 13.2 per cent, which is virtually unchanged from where it was a decade ago.

Our recent report, *Long Overdue: Why BC Needs a Poverty Reduction Plan*, examines the most recent statistics on poverty and its associated hardships in BC. In so doing, it makes clear that strong policies are urgently needed to dramatically reduce and ultimately eliminate poverty in our province.

In rejecting the call for a poverty reduction plan, the BC government points instead to its Jobs Plan. Our report reveals the failure of their approach.

First, while the government touts "jobs" as its answer to poverty, a large share of the poor have already taken such advice and are currently employed in the low-wage labour market. It is a common misconception that the poor are mostly on social assistance. Our research shows that about half of those living below the poverty line are either the working poor or children of the working poor.

Second, a closer look at poverty trends over time reveals that the government's approach has failed to meaningfully reduce poverty. BC's poverty rates are now approximately the same as they were prior to the 2008 recession, and poverty rates remain much higher than historic lows seen in the late 1970s and late 1980s.

Measures of severe hardship such as food bank use and homelessness have continued to climb. And the number of people working but who still live in poverty is also on the rise.

POVERTY A SERIOUS PROBLEM IN BC

People in every BC community experience poverty and are affected by the physical, emotional and social hardships of being poor. Particularly troubling is the high number of children living in poverty because of the long-term health and social impacts. One in five of BC's poor are under 18 years of age. Poverty rates are also disproportionately high for marginalized groups including Indigenous people, people with disabilities and mental illness, recent immigrants and refugees, single mothers, single senior women, and queer and transgender people.

When these factors combine, rates climb even higher. For example, the poverty rate for children in single mother-led households is a shocking 49 per cent. The poverty rate for Indigenous children in Vancouver is 33 per cent, and 52 per cent of on-reserve Indigenous children live in poverty.

Other indicators of BC's serious poverty problem include:

- Food Banks Canada's annual *Hunger Count* reports that 103,464 people used BC food banks in 2016, 32.5 per cent higher than before the recession hit in 2008.
- Basic welfare for a single person is only \$610 per month and has not increased since 2007. A person in this category of social assistance has an annual income that reaches less than 40 per cent of the poverty line.
- Nearly half a million British Columbians—a quarter of all paid employees—earn \$15 per hour or less. Most of these people work full-time (59 per cent) and 58 per cent support a household.
- BC's current minimum wage is \$10.85 an hour, meaning a full-time minimum wage worker earns about \$3,500 a year below the poverty line for a single person.

We also find that costs for core essentials like rent, child care, electricity and food have been increasing two to three times faster than the general inflation rate.

Poverty and homelessness are not inevitable in our wealthy society. The "poverty gap" in BC—meaning the total amount of money needed to bring every British Columbian living under the poverty line to that threshold—was \$5.8 billion in 2014. That's how much it would take in increased wages and income supports to eliminate poverty in BC. This sounds like a lot of money, but in 2014 it represents only about 2.4 per cent of BC's economy (as measured by GDP). Surely in a province with an annual income of \$250 billion we can afford to close a poverty gap of less than \$6 billion.

Meaningful action to address poverty in our province is long overdue. As we approach a provincial election in the spring it is incumbent upon all political parties to finally join the rest of Canada and commit to adopting a poverty reduction plan.

Seth Klein is BC Director of the CCPA. Iglika Ivanova is a Senior Economist and Public Interest Researcher at the CCPA-BC. Andrew Leyland is a Master's student in Population and Public Health at UBC and a recent Rosenbluth intern at the CCPA-BC. Their paper, Long Overdue: Why BC Needs a Poverty Reduction Plan, was co-published with the United Way of the Lower Mainland and the BC Poverty Reduction Coalition.

Joining our CCPA–BC community

A TESTIMONIAL

Social justice raises two kinds of questions: about how the world ought to be and about how the world actually is. The second type of question includes identifying the nature, sources and extent of unfairness—and determining how effective alternative public responses might be.

Most economists we've come across are interested in what is—how is the economy actually working, and given that, what the effects of different interventions might be. But competing values and interests inevitably tend to skew such analysis.

There is a long and inglorious history of people, corporations and parties distorting facts and twisting arguments in the service of particular economic or ideological interests. (This has reached grotesque proportions in the current US presidency.)

We are strong supporters of the CCPA–BC because their work recognizes both fact and value—the values of the social justice for which they strive, and the facts—determined through extensive research—that underpin their recommendations.

We share the former and we feel we can trust the latter.

— Robert Evans, Emeritus Professor of Economics, and Susanne Evans

From the archives

FEBRUARY 8, 1997: *The Vancouver Sun* announces that the Canadian Centre for Policy Alternatives, “an Ottawa-based think tank that advocates a greater role for the public sector in Canada’s economy has opened an office in Vancouver to try to challenge the Fraser Institute’s dominance in the public debate over economic and social issues.”

Twenty years later and the CCPA–BC is a high-profile, widely respected source of research and public commentary. We're proud of our role challenging right-wing ideas. And given recent events—Donald Trump and the new right wing populism that's also showing signs of igniting in Canada—our role is more important than ever.



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