



Volume 8 · Number 3
Fall 2005

Maximizing Economic Benefits from the Cruise Ship Industry in BC

Ports around BC are spending millions of dollars to build facilities for cruise ships, while also competing with each other to provide low port usage fees, all of which benefit an industry that is notoriously footloose.

See page 3

An Action Plan for BC's Beetle-Attacked Forests

Through an approach based on research, restoration and reforestation, the provincial government could go a long way to ensuring that the current forest health crisis is meaningfully addressed.

See page 4

Democratizing Public Services: International Lessons for BC's Health Care System

To move forward a progressive reform agenda, provincial leadership is required to provide citizens with opportunities to become directly involved in advocating for health care reform at the local, regional and provincial level.

See page 6

After the Referendum: What's Next for Electoral Reform in BC?

By Marc Lee

Electoral reform had a major coming out party during the May 2005 referendum on STV. A year earlier, electoral reform would have failed to make the cut of many a British Columbian's top ten political priorities. But with 58 per cent of the vote, which brushed up against the 60 per cent required to win, the desire for electoral reform would be hard for any politician to ignore (in a second test, simple majority support in more than 60 per cent of the 79 electoral districts, STV passed with flying colours, with all but two constituencies voting yes).

Interpreting what this really means, however, is more difficult. First of all, it is not obvious that this is a ringing endorsement of the Single Transferable Vote (or STV) model, the alternative proposed by the Citizens' Assembly. A large number of people who had been pressing for proportional representation (PR) opposed STV, preferring instead other models of PR. Indeed, had those opponents supported STV, we would likely have a new model in place for the 2009 election.

Another factor is that the Citizens' Assembly, in choosing STV, had its hands tied somewhat. Its terms of reference stated that, whatever model was chosen, the number of legislative seats had to remain fixed at 79. This built in a bias against options like Mixed Member Proportionality (MMP) that may have added new seats as a means of achieving proportionality in outcome while preserving existing local representation.



In spite of the majority approval, polls suggest that most British Columbians had no real idea how STV worked. So why would so many people endorse a system that they did not understand? It is possible that the yes side simply did a poor job of communicating STV; neither side was provided with much in the way of a budget, another shortcoming of the Citizens' Assembly process.

A more likely explanation is that people just wanted change and STV became the symbol of that change, a vote against first-past-the-post rather than for STV. Consider the last three BC elections and it is easy to see why people are critical of the current system: a party can win a majority government with a minority of votes, as just happened in the 2005 election, or win a majority government while losing the popular vote, as the NDP did in 1996, or win 97 per cent of the seats with 57 per cent of the popular vote, as the Liberals did in 2001.

There are numerous other examples of perverse outcomes of the first-past-the-post system from the

Continued on page 2

Continued from page 1

rest of Canada. These rather common examples may have been feeding a sense in the electorate that people's votes are not translating properly into a government that represents them.

Trust may also explain why so many supported a system they would be hard-pressed to explain. It may be that the Citizens' Assembly was viewed as a credible process, that it was representative, balanced and thoughtful in reviewing the options after hearing testimony from experts and interested parties. Voters may have had any concerns about voting for STV alleviated by the source of the recommendation.

The Premier deserves full credit for taking a leap of faith by giving a randomly selected Citizens' Assembly free reign to investigate and recommend an alternative to be put to referendum. Politicians should get the message that we can and should allow non-expert citizens to be engaged in decision-making in a meaningful way, one that goes beyond the usual parliamentary committees, whose consultations are viewed with a great deal of cynicism.

So what's next for electoral reform? It would be a shame if the issue dropped off the public radar. Given the level of support for STV, it seems that the question is not if but when electoral reform will happen.

Now that the public's interest has been captured, a round of education, discussions, and consultations would be appropriate to explore alternative electoral systems more deeply — including STV but also some of the systems rejected by the Citizens' Assembly, such as MMP — outside the context of an election campaign. Such a process would itself have to be democratic, but might include greater use of deliberative mechanisms along the lines of the Citizens' Assembly.

At some point prior to the 2009 election, perhaps piggybacking on the 2008 municipal elections, this process should culminate in another referendum. A sensible recommendation would be to have a two-part referendum asking first whether people want electoral reform (maintaining the 60 per cent threshold for changing the current system), then if passed, voters would be able to choose among the two most prominent alternative systems arising out of the deliberative process.

This near-passage of STV, then, could end up being the best of possible worlds. It has raised the issue of electoral reform but not committed BC to a system that people do not fully understand. Hopefully, the result will spark the type of intensive public debate required before we embark on something as important as how we elect our provincial representatives.

Part of a public engagement campaign should also test to what extent the STV vote is symptomatic of a deeper desire for people to have a greater say in the decisions that affect their lives. If this is the case, we should see electoral reform as merely one aspect of deepening democracy.

Other elements of a public conversation on democratic renewal might include taking big money (corporate and union) out of provincial politics, strengthening the scope and investigative powers of the Auditor-General, improving access to information laws, and participatory budgeting (see accompanying article by Marcy Cohen).

Evidence is building that there is a major disconnect between the day-to-day lives of people and the decision-making that affects them. With a highly educated and technologically literate population, able to access global media and information sources, it is time that the political system became more responsive than the 19th century version that presides over Victoria (and Ottawa).

A democratic reform agenda also has the potential to restore confidence in a political system undermined by periodic scandals over how public funds are spent. Developing democratic governance mechanisms around accountability and oversight of government is one proper function of democratic reform.

Deepening democracy offers an alternative to privatization. There are core services and regulatory activities that need to be provided in the public sector because of various forms of market failure. Confidence in the public sector would be strengthened by engaging citizens in policy-making and the trade-offs this entails — including the bigger questions of what services we want to provide publicly, how they should be delivered and how we are to pay for them.

Marc Lee is the CCPA-BC's Economist and Editor of BC Commentary.

Politicians should get the message that we can and should allow non-expert citizens to be engaged in decision-making in a meaningful way.

Maximizing Economic Benefits from the Cruise Ship Industry in BC

By Ross Klein

The dynamics of the cruise ship industry in BC have changed in recent years. While Vancouver has long benefited from being a “home port” for cruises to Alaska, faster ships are increasingly leaving instead from Seattle. Between 2000 and 2004, Seattle’s cruise passenger numbers increased 362 per cent, while Vancouver’s decreased 12 per cent.



BC ports, however, are indispensable to cruise lines due to US cabotage laws that require non-US registered ships visiting multiple US ports to either include a foreign port in its itinerary or to embark and/or disembark passengers at a foreign port (cruise lines use foreign-flagged ships as a means of dodging US taxes and labour standards). To get around this, cruise ships have historically used Vancouver as a home port, but ships leaving Seattle can just as easily make a stop at any other BC port to satisfy the cabotage requirement.

Luring cruise ships has thus become a *de facto* industrial policy for many coastal communities in BC, one that is facilitated by federal and provincial governments. Attempts to draw cruise ships are seen as an economic driver for communities. Substantial sums of public money are being invested to provide the infrastructure for cruise ship operations, in the hopes that a stream of economic benefits will flow from cruise ship passengers to local businesses and communities.

But without a coordinated plan, ports risk being played off one another — a common scenario in the Caribbean and Mediterranean. Ports around BC, such as Nanaimo, Campbell River and Prince Rupert are spending millions of dollars to build facilities for cruise ships, while also competing with each other to provide low port usage fees, all of which benefit an industry that is notoriously footloose.

There are substantial risks in making these public investments that a cruise line may choose another port offering a better deal (as happened recently when Campbell River poached ships for 2006 that are currently docking in Nanaimo) or may limit their stop to a “technical call” in which passengers do

not disembark the ship (this happened recently to Prince Rupert).

In order to avoid being played off against one another, the same structure of port charges and per-passenger taxes for cruise ships is needed for all BC ports. There are regional precedents for such moves. Several Alaskan ports have raised per-passenger taxes in recent years and the state of Alaska is contemplating a state-wide passenger tax that would be shared with communities impacted by cruise tourism.

BC also risks becoming the toilet of the Pacific Northwest, as it is far behind neighbouring US jurisdictions in setting and enforcing environmental standards for the cruise industry. Alaska, California and Washington states have all made moves to protect their marine environments, and have been successful in reducing environmental impacts. BC waters, on the other hand, are under federal jurisdiction, and Transport Canada says it will be 2010 or later before mandatory regulations governing cruise ship discharges are implemented.

The pressing question is how BC and its ports can maximize the economic value of cruise tourism and at the same time preserve BC’s value as a destination for tourists arriving by and staying on land. The key to maximizing the benefits of cruise tourism is to avoid competition between ports.

The provincial government should create a provincial Cruise Ship Authority to ensure an equitable distribution of ships between ports and avoid the costs associated with ports undercutting each other (with cruise lines exploiting these differences).

The pressing question is how BC and its ports can maximize the economic value of cruise tourism and at the same time preserve BC’s value as a destination for tourists arriving by and staying on land.

An Action Plan for BC's Beetle-Attacked Forests

By Ben Parfitt

British Columbia is on the cusp of the greatest forest health crisis ever to confront the province since forestry emerged as a major economic activity more than a century ago.



Substantial increases in reforestation investments must be made now and the provincial government, in particular, should properly shoulder that responsibility.

There are numerous reasons for the crisis. First and foremost is a large, and as yet far from over, beetle infestation that is killing millions of pine trees in the province's Interior. Second, generally warmer and drier weather, which many scientists believe will be with us for some time to come, is allowing more and more beetles to thrive. Third, a preponderance of older pine trees is exacerbating the outbreak by providing the beetles with the ideal food and breeding source. Last, and not least, Interior logging rates are rocketing upward in response to the beetles, fuelling concerns about the future of our forests, resource-dependent Interior communities and the provincial economy as a whole.

Once the current logging boom runs its course, harvesting rates will plummet (known as the "fall-down effect") leaving many forest dependent communities facing an uncertain economic future. That is why there must be a concerted effort now to address the unfolding crisis, an effort that goes far beyond the current response.

Thus far, the provincial government has narrowly focussed on increasing logging rates to capture income from the beetle-attacked trees before the trees lose their economic value. Comparatively little has been said about the need to invest in our forests, where those investments should be focussed, and where the funds to pay for those investments should come from.

Any effective provincial government action plan must be of long duration — at least a decade and likely longer. An initial financial commitment of \$100 million per year over five years is warranted, with that money spent primarily on reforestation and restoration efforts. Further funds in the

neighborhood of \$18 million per year should also be committed from existing provincial funds such as the Forest Investment Account to do important tree-tending work, which will improve the yield and quality of wood in forests used by future generations.

Substantial increases in reforestation investments must be made now and the provincial government, in particular, should properly shoulder that responsibility — one it has shunned in recent years. The government must also do much more to promote new research and management regimes that help to restore a greater diversity of tree species and tree ages to our Interior forests, because it is with diversity that we are better protected from the kinds of devastating events we are witnessing in our forests today.

Through an approach based on the Three Rs of research, restoration and reforestation, the provincial government could go a long way to ensuring that the current forest health crisis is addressed meaningfully and that the actions taken today are of lasting social, economic and environmental benefit. Equally important, the provincial government should put in place the funding mechanisms and strengthened public service oversight required to ensure that the job is done right.

Paying for the Action Plan

Knowing that challenging times lie ahead, it is vital that the provincial government, on the public's behalf, collects the proper amount of funds from the companies benefiting from today's increased salvage logging activities. Even more important is that any additional funds be reinvested where it matters most: in the rehabilitation of our publicly-owned forests.

An additional 11 million cubic metres of Crown timber per year is being logged in response to the beetle. Critical, from a public policy perspective, is whether the added stumpage revenues adequately capture the full value (economic rent) of what is logged — all the more so when considering a future decline in logging rates that must occur in order to bring rates back to sustainable levels.

A huge amount of the timber currently logged in response to the mountain pine beetles generates just 25 cents per cubic metre in stumpage payments — ostensibly an incentive for salvage logging in response to the crisis — compared to \$30 to \$44 a cubic metre for a typical sawlog. The nominal 25 cents a cubic metre stumpage rate may have had its place decades ago. It almost certainly does not today.

According to the provincial government's action plan, beetle-attacked trees could retain their commercial value for between 5 and 18 years. That is a considerable range, and could profoundly influence how many beetle-attacked trees are logged and over what time frame. The same plan goes on to say that much of that wood will be just as valuable to the companies doing the logging as the "green" or non-attacked wood they will also be harvesting.

This is confirmed by recent moves to dramatically increase sawmilling capacity in key communities in the province. In anticipation of all the extra public timber being made available to them, companies like Canfor and West Fraser Timber have invested or are poised to invest millions of dollars in upgrades to sawmills in Houston, Vanderhoof and Quesnel.

A look at timber auctioned through BC Timber Sales reveals that companies are willing to pay far higher

prices for beetle-attacked wood than 25 cents per cubic metre. If the government recognizes that many logs have been undervalued, then it should change the grades so that the full value of the logs is captured and it should raise its revenue target rates accordingly. This would provide an important source of new revenues to the government that could be invested in reforestation and restoration efforts without having to divert funds from other public programs.

A desire to obtain optimum stumpage payments from the companies doing the salvage logging must be tempered with fiscal realities. A stumpage rate set too high may discourage logging, something the provincial government, through its response to the beetle outbreak, clearly does not want. On the other hand, a stumpage rate set too low undervalues the resource. When resources are undervalued, the public is short-changed.

Given the limited shelf-life of the salvage logging program, it makes a lot of sense to take the added stumpage revenues generated today and reinvest them in reforestation and other activities that improve forest health and economic prospects for forest-dependent communities years down the road.

Interior communities need a sense of hope that the beetle crisis is being properly confronted, and that a working forest will still exist in the future. Fortunately, solutions are at hand, but they require more action and greater investments today.

Ben Parfitt is the resource policy analyst with BC Office of the Canadian Centre for Policy Alternatives. This article draws on Ben's research paper, Battling the Beetle: Taking Action to Restore British Columbia's Interior Forests, released in July by the CCPA.

If the government recognizes that many logs have been undervalued, then it should change the grades so that the full value of the logs is captured.

More resources on BC issues

www.policyalternatives.ca

Find all the recent facts and analysis on social, economic and environmental issues facing BC.

Opinion, commentary, reports, briefs and more.

research • analysis • solutions

Democratizing Public Services: International Lessons for BC's Health Care System

By Marcy Cohen

Over the last 15 years there have been repeated calls to reform and modernize how services are delivered within the Canadian public health care system. Yet, despite broad and continuing support among academics, unions, government and the public alike, there remain systemic barriers that limit the effectiveness and scope of new approaches for delivering public health care.



To effectively reform health care and to mobilize sufficient support for reforms in the face of opposition from entrenched interests, the forms of governance must, themselves, be democratized.

Health care reform cannot be achieved by relying exclusively on the traditional mechanisms of governance available: that is, representative government backed up by a hierarchically organized administrative structure. To effectively reform health care (and other public services) and to mobilize sufficient support for reforms in the face of opposition from entrenched interests, the forms of governance must, themselves, be democratized. This will require greater involvement of non-elite individuals and groups in governmental decision-making, as well as new ways of working within and between the public sector and the broader community.

Fortunately, there are a number of interesting models that suggest a way forward. Around the world, experiments in democracy have been tested in the laboratory of society, with fascinating lessons for our own democratic woes.

In the United Kingdom, the Greater London Council, from 1981 to 1986, put a number of popular planning processes in place to ensure that key administrative decisions, on issues such as transportation, urban land use and housing, could not proceed without the support of groups outside of government. One spectacular success was their transportation policy, which increased ridership and revenues, while reducing fares by 35 per cent.

Porto Alegre, Brazil has been a pioneer in a process called participatory budgeting, where people are engaged in an open process to determine how a significant part of the municipal budget is spent. This model is now being studied for application in many other countries.

In another part of Brazil, Caera, a preventative health program recruited local citizens through a

democratic process to work with the municipality and nurses to do outreach to families in their homes. Over five years, there was a dramatic reduction in infant mortality, and a tripling of the vaccination coverage for measles and polio.

In the Indian state of Kerela, local citizens were provided with tools and resources so that they themselves could design and implement projects needed in areas such as agricultural production, infrastructure development, social services, gender inequality, resource depletion and environmental clean-up.

In all four examples, more participatory forms of governance increased the effectiveness, creativity, and competence of public sector systems, not only by ensuring greater responsiveness to the demands of the citizenry, but also by increasing the capacity of governments to do one or more of the following:

- Provide citizens with new opportunities to monitor and direct government activities.
- Extend the reach, competence and commitment of front-line staff within the public service.
- Bring more experiential and practical forms of knowledge and expertise to the process of policy formation and implementation.
- Increase the openness, transparency and accountability of decision-making within the administrative structures of government.
- Address bottlenecks within the administrative agencies of government that could not be resolved internally.
- Ensure the durability of reforms beyond the mandate of the sitting government. Democratization

builds a popular constituency in support of policy reforms, making it harder for future governments to un-do good policies.

Lessons from the Case Studies

Democratization is not as simple as decentralization. In each of the four cases, the stage for democratization was set by combining centralized and decentralized authority. It is the “creative tension” between these seemingly oppositional tendencies that produces more effective government.

Getting the right combination of centralized and decentralized authority is not a straightforward task. It depends on a sophisticated and robust senior level government with the capacity to establish a strategic direction, and to determine how to distribute power in ways that support decentralization and self-organization, while leaving room for co-ordination, monitoring and reworking of the policy framework over time.

Successful models increase the capacity for citizen participation in government decision-making processes. While the emphasis and form of civil participation and engagement differed in each of the four cases, the intent was similar: to increase the capacity for non-elite groups and individuals to build cross-sectoral alliances, become actively involved in political processes, and effect change in public policies.

Resources and opportunities for participation did not simply flow to already well-established, left-leaning organizations (i.e. unions and social movement organizations) with ties to the party in power. Rather they were used to mobilize new constituencies and new sources of power based on criteria that were seen as fair and equitable by a broad cross-section of the citizenry. What distinguishes these four examples is the direct outreach of government to the population on issues of concrete and practical concern, and the creation of on-going and multi-level connections among citizens and between citizens and government.

Deliberative (i.e. reason-based) decision-making processes in key policy areas are a vital component. It is important to acknowledge that public perceptions of government bureaucracies as too remote and insular are widespread. Lessons point to improving government performance through the creation of new institutions that directly link the public service

with diverse individuals and non-elite groups outside government who have additional information, differing perspectives and direct hands-on experience.

With more participatory forms of governance, policy formation and implementation are understood as part of a dynamic, iterative process built on sustained forms of deliberation between state officials and diverse groups and individuals outside the state. Deliberative decision-making processes provide participants with a unique opportunity to apply their practical experience and direct knowledge of a situation in considering options and the merits of supporting one outcome over another. Front-line staff in government play a key role in providing the resources to support deliberative decision-making, such as training, facilitation and on-going technical advice.

Linking Democratization to Progressive Health Care Reform

To move forward a progressive reform agenda and counter the influences of more established interests, provincial leadership is required to provide citizens with opportunities to become directly involved in advocating for health care reform at the local, regional and provincial level. To date, health care reforms have been far too limited in BC specifically because of the lack of innovations in democratic governance.

For example, in response to recommendations of the Seaton Commission in the early 1990s, the NDP government invested considerable time, energy and resources in devolving health care governance to regionally-appointed boards/community health councils. They paid little attention, however, to the substantive issues in the Seaton Report or to the key role the Ministry of Health must play in a regionalized system.

The Seaton Commission outlined the need for provincial leadership — in developing accountability processes to ensure equity of access, in targeting funding to support specific community reform initiatives (i.e. community health centres) and in providing infrastructure and research and policy development support. NDP politicians seemed to be either unaware of the need or uncertain about how and where to assert leadership within a regionalized health system.

Successful models increase the capacity for citizen participation in government decision-making processes.

The Authority could develop a passenger tax, not unlike that being considered in Alaska, whereby cruise passengers landing in BC or traversing BC's waters are levied a flat fee. A portion could be distributed to each port, whether or not they receive cruise ships that year.

Ports themselves need to make conscious decisions about the nature of cruise tourism they want. They need to ensure a return on investment when contemplating or building expensive new terminals and piers to attract larger or more ships. Ultimately, there needs to be a balance between income and growth on the one hand and preservation of local heritage and beauty on the other.

Ports also should not underestimate the economic value of small cruise ships. They have higher *per diems* than most mainstream cruise lines and cater to a different clientele — one that prefers ports “off the beaten track” and away from the masses and crowds that characterize cruise tourism. It is also a clientele likely to spend larger sums of money per person on local products and services, and who are more likely to return to BC.

Small ports can afford to maintain their beauty and charm and to sell the characteristics that make them attractive. They can afford to resist incentives that would otherwise make them just another port along BC's Inside Passage. For example, the ports served by Port Alberni-based M/V Lady Rose and M/V Francis Barkley (Bamfield, Kildonan, Sechart, Ucluelet) could all benefit from small-ship cruise tourism. This sort of sustainable development should be supported but requires the coordination a provincial Cruise Ship Authority could provide.

BC can and should do better to capture the economic benefits of the cruise industry. Working collectively, and in recognition of BC's role under US cabotage laws, the province's ports can all participate in and make money from cruise tourism.

Ross A. Klein is Professor of Social Work at Memorial University of Newfoundland. This article is based on a new CCPA report, Playing off the Ports: How BC Can Maximize its Share of Cruise Tourism.

Nor did they create many opportunities for citizens to become involved in these regional structures. While they did agree to provide health care unions with a seat on each regional board and community health council, there was no additional provision to ensure representation from other non-elite constituencies and user groups, and no mechanism for ensuring that health regions took into account the views of its citizenry.

My modest proposal to start the ball rolling is to give one-half of one percent of the health care budget — or \$60 million dollars — directly to communities (divided between geographic communities and population-based groups), for early intervention, health promotion and prevention initiatives.

Activities at the community level would depend on support of front-line staff from community agencies (e.g. medical health officers, nurses, community mental health and home support workers, occupational therapists, etc.) with training and experience in community development processes and expertise in the areas of health promotion, prevention and/or early intervention, as well as funding to ensure community participation. Communities would be responsible for organizing deliberative forums in each of the priority areas, open to all citizens at the community level.

The public awareness and media attention that would result from an initiative of this size and magnitude would provide citizens and community groups with new opportunities to become directly involved in developing innovative community based interventions. In addition, it could open up health care decision-making more generally by increasing the capacity and inclination of citizen groups to monitor activities and expenditures in other parts of the health system and to analyze the relationship between these expenditures and health outcomes.

Marcy Cohen is the Chair of the BC Board of the CCPA, and author of Democratizing Public Services: Lessons from Other Jurisdictions and Implications for Health Care Reform in BC, published in March by the CCPA.

BC COMMENTARY

a publication of the BC office of the Canadian Centre for Policy Alternatives

1400 – 207 West Hastings Street
Vancouver, BC V6B 1H7
tel: 604-801-5121
fax: 604-801-5122

www.policyalternatives.ca

Editor: Marc Lee
<marc@policyalternatives.ca>

Production Manager: Shannon Daub
<shannon@policyalternatives.ca>

Layout: Avi Goldberg
<avi@policyalternatives.ca>

Any errors and opinions presented in this paper are those of the authors, and do not necessarily reflect the views of the Canadian Centre for Policy Alternatives.