

Appendix: Strategic Investments for Recovery and the Future



because **everyone** matters

Strategic Investment for Recovery and for the Future

When it comes to the recession and its impact on the lives of British Columbians in every corner of our province, Gordon Campbell continues to have his head in the sand.

Mr. Campbell can find billions to cover his overruns on pet projects, but nothing to help the thousands of forest workers laid off in BC's worst forestry crisis in 40 years.

The Premier orders a 43% pay increase for his top advisors – the second increase in four years - but refuses to raise the minimum wage, eight years running.

And, at a time he should be helping businesses losing sales and workers losing jobs, Gordon Campbell hits them with almost \$2 billion in new gas taxes and fee increases.

Campbell's Gas Tax: Wrong tax, wrong time

The Campbell plan to triple the gas tax loads new costs on troubled industries like the forest industry, mining and trucking. It also makes BC businesses less competitive. According to the Business Council of British Columbia, "because other North American jurisdictions haven't legislated their own carbon taxes many manufacturers and other energy intensive businesses... will be put at a competitive disadvantage".

In fact every government in Canada, along with the new Obama government in the United States, has rejected fuel and carbon taxes. The tax doesn't make economic sense. The irony is that it doesn't work environmentally. According to Statistics Canada, since the imposition of the tax, fuel usage has increased significantly in British Columbia. The tax is an expensive symbol. We propose effective solutions to climate change in its place.

Recovery: the First Priority

Carole James and the NDP are clear. The first priority must be economic recovery that includes all British Columbians. Our plan is straightforward:

- 1. Remove the gas tax barrier to competitiveness.**
- 2. Invest in infrastructure to create jobs now and improve productivity over the long run.**
- 3. Target investments in strategic sectors like small business, tourism and mining.**
- 4. Address the crisis in the forest industry.**
- 5. Invest in our greatest resource – the people of BC – with an emphasis on the skills and education needed to prosper in a knowledge-based economy.**
- 6. Invest in the green economy, an emerging component to competitiveness in the global economy and critical to sustainability.**

We also believe that ordinary British Columbians need a break. On top of the gas tax increase, adding fee, rate and fare increases with no thought to the impact on families already feeling the pinch is wrong.

Prudence and Cost Containment

In the current recession, new taxes are wrong-headed. Instead, significant investments need to be made. That is the world wide consensus. Few governments are cutting services and raising taxes like the Campbell government. But at the same time a long term strategy of prudence must be firmly in place.

In that context, expenditure control is necessary to ensure a return to balance over the term. While other provinces predict long cycles of deficit, Carole James and the NDP believe a return to spending without control will impair our economy over the long term. Our plan focuses on the fundamentals while proposing a cost containment strategy that targets expenditures that are peripheral to the public interest.

Investing in Wealth Creation

Our plan stands in contrast to Gordon Campbell's. Where he cuts spending for tourism, the arts and agriculture we reinvest in the industries that create wealth. Where he gives up on rural BC and the forest industry we provide the resources required to spur economic development outside of the Lower Mainland.

Tax relief

We will remove the gas tax that hits businesses and families at the worst possible time, doubling and tripling during the worst recession in over 25 years. We will also provide a strategic tax holiday for small business to help these job engines through the worst period of the recession.

The Knowledge Economy

Carole James and the NDP believe that now is the time to invest in the knowledge economy. We can talk about a transition strategy for workers. We can talk about the jobs and opportunities available for young people in the emerging new economy. But if we don't invest in our education system and provide access to training and education that's all it is – just talk.

Instead of cuts, our plan makes a significant investment to improve the quality of and access to BC's education system.

Infrastructure

Finally, our economic renewal plan calls for an increase in infrastructure spending. From transportation to hospitals and schools, in every corner of BC our infrastructure needs renewal.

Protecting the Services British Columbians Depend Upon: The Second Priority

Health care, seniors' care, education and crime control: these are the services British Columbians depend upon day in and day out. And in too many instances British Columbia is still playing catch up from the brutal cuts Gordon Campbell made to these services during his first term.

Gordon Campbell broke his promise to seniors and we still see the effects in the shortage of long term care beds and the decline in the quality of care. Cuts to hospitals and acute care services mean longer surgery waiting lists and overcrowded emergency rooms. And thousands of classrooms don't meet the legislated class size standards. By their own test, the Campbell government is failing thousands of students across BC.

Carole James and the NDP will address these fundamental problems caused by cuts and neglect. Acute care, seniors' care and better classroom conditions are a priority for investment.

Fiscal Plan

Gordon Campbell predicts a balanced budget in the third year with no margin for error and no forecast allowance at a time when economists are revising their economic predictions monthly. That's not a plan; it is wishful thinking and political posturing.

The NDP plan is focused on restoring investment and jobs now. That means a short term rise in the deficit this year, with a significant decline the year after and the year after that. The NDP plan will balance the budget by year 4.

A more aggressive stimulus that invests in infrastructure and reduces barriers to growth - like the gas tax, - can pay off with faster, more intensive growth as BC moves out of recession. Government estimates of the stimulus created by Olympic spending range from \$4 to almost \$11 billion in additional GDP, with revenue growth of up to \$1.5 billion. While economic experience does not prove that "tax cuts pay for themselves," strategic tax cuts and capital investments that spur growth do return revenue to the government.

The recipe of focused tax cuts combined with aggressive infrastructure investment is identified as critical to successful strategies by both the G20 and the IMF. While less immediate infrastructure investment produces a longer stimulus, tax cuts focused on consumer and business spending have greater immediate impact. Revenue impacts of similar stimulus packages are estimated at between 15% and 25% of the investment, depending upon the package and the economic circumstances. Using the government's own model for the Olympic stimulus, the revenue return would be in the 15 - 20% range.

Cost Containment

While Carole James and the NDP believe the times demand a larger stimulus to reach recovery sooner, not all spending is good spending. Spending must be prioritized on fundamentals and wasteful spending must be reallocated or cut.

Elements of our cost containment plan include a roll-back of executive wage increases across government and government agencies, cuts to professional service, travel and other discretionary budgets, downsizing of the public affairs bureau and communications spending in government agencies and the elimination of agencies like Partnerships BC.

Coupled with a strong cost control plan, our plan anticipates a return to surplus in the third or fourth year of the term, without tax increases. These assumptions are based on the economic assumptions provided in the current budget documents, with a cautious revenue increase tied to the economic stimulus provided through tax cuts, modest investments and a stronger infrastructure plan.

Capital Investment and Debt:

In the face of the unprecedented rise in joblessness and slowing economic growth worldwide, the Organization for Economic Cooperation and Development (OECD) has recently called for additional public investments. On March 3 an OECD report called for increased investment in infrastructure projects that can be delivered quickly; improved training; reduced taxes for those with lower incomes; and measures to stimulate new business.

The NDP plan for enhanced capital investment matches that prescription. The NDP Plan makes affordable and targeted investments in needed infrastructure that will create 30,000 jobs over three years while strengthening British Columbia for the longer term.

Green Investments

Key to the NDP Plan is the Green Bond, which will provide the opportunity for British Columbians to invest \$10 billion over 10 years in projects and loans that will improve environmental sustainability by creating green jobs and cutting greenhouse gas emissions. These investments in retrofitting and new technology will be targeted at both business and the consumer to increase long term competitiveness and reduce energy use.

Community Investments

The NDP capital plan also responds to urgent needs such as the crisis of homelessness, long term care beds for seniors and improved transit in urban areas.

Many towns and villages in BC have urgent community infrastructure needs. Our capital plan provides \$100 million per year for recreation, sports and related infrastructure to build arenas, rec centres, sports fields and community centres in communities across BC.

Unlike the Campbell Liberals, the NDP capital plan does not rely on the complex, expensive and discredited P3 method for delivering infrastructure. The NDP plan takes advantage of lower government borrowing rates, rather than more expensive private finance. In contrast to the bureaucratic and complicated P3 method, direct public investment in needed infrastructure will get construction going sooner and new projects into operation faster.

Amongst other things the NDP Capital and Green Bond Plans will:

- **Build 3,000 long term care beds for BC seniors over the next term of government.**
- **Build 2,500 new housing units to help tackle the scourge of homelessness.**
- **Get construction going immediately on the long-awaited Evergreen rapid transit line.**
- **Provide 500 new buses for Lower Mainland commuters.**
- **Get construction of the Surrey Memorial emergency room and Critical Care Tower underway immediately.**
- **Significantly reduce energy use and carbon emissions through large-scale retrofitting of both public and private buildings.**
- **Increase health care efficiency and enhance preventive care by providing new public surgical centres, community health clinics, dental clinics and diagnostic centres throughout the province.**
- **Build new detox, addiction treatment and mental health beds.**
- **Invest in improved rehabilitation of our highway network and accelerate the Cariboo Connector.**
- **Move forward on Commuter Rail for Vancouver Island.**
- **Accelerate seismic retrofitting of our schools.**
- **Make long needed investments in maintenance and rehabilitation of post-secondary buildings.**
- **Provide new capital dollars for community recreation and arts facilities in local communities throughout the province.**

Compared to the 2009/10 Budget of the Campbell Liberals, the NDP plan will increase taxpayer supported debt by \$1,465 million for the rest of this fiscal year and by \$1,557 billion in 2010/11. Based on government projections for gross domestic product, this will result in a debt to GDP ratio of 16% in this fiscal year and 16.5% next fiscal. With this modest and affordable increase in the debt to GDP ratio, BC will continue to have the 2nd lowest debt to GDP ratio in Canada.

Carole James and the NDP

Fiscal Plan

New Operational Spending	09/10	10/11	11/12
Economic Stimulus			
Fee and Tax Breaks			
Fuel Tax Elimination	300	670	825
Fee Freezes and Rollbacks	10	18	18
Sectoral Investments			
Tourism, Culture, Trade, Mining, Agriculture	27	50	50
Small Business Tax Holiday	40		
Rural Economic Development			
Rural Development Fund	200		
Building the Knowledge Economy			
K-12: Sound Foundations			
Resources and support for students	50	75	100
Post Secondary			
Improved affordability	20	70	70
Increase access to skills training	3	6	6
Social Investment			
Childcare support for working families	25	50	50
Total Stimulus Package - Operational	675	939	1119

Health Care Solutions			
Acute Care	25	25	25
Nurses and Health Care Professionals	15	20	35
Innovation in Care: Therapeutics Initiative, Health Quality Council	4	4	6
Mental Health/Addictions	11	11	39
Seniors' Care			
• LTC beds/improved care	30	100	130
• Home Support	15	20	40
Total Healthcare	100	180	275
Community Support			
Enhance Public Safety			
• Added police and prosecutions	9	23	23
• Community Courts, court and legal services		15	15
• Youth Programs, victim support	3	7	7
Ending Homelessness			
• Operating and supports for new units		5	15
Poverty Reduction Plan			
Income Support Programs	15	35	35
Women's Centres and Anti Violence	2	4	4
Human Rights Commission	1	1	1
Total Community Support	30	90	100
Environmental Protection			
Enhanced air, land & water protection, EA	5	10	20
Species at Risk		2	2
Environmental Corp	2	2	2
Park programming	5	5	5

Fiscal Impact before New Revenue and Reallocation

	09/10	10/11	11/12
Total - Tax cuts and Programs	817	1,228	1,523
Capital costs	35	40	40
Liberal Deficit	495	245	0
Revenue and Reallocation			
New Revenue			
Flaring royalty	37	150	225
Standardize liquor surcharge	31	62	62
Standardize water rental rates	15	30	30
CCT on Financial Institutions at 08/09 rate	37	74	74
GHG Emission pricing			250
Total New Revenue	120	316	641
Reallocations¹	250	450	500
Revenue Impact of NDP Stimulus²	100	250	250
Total New Revenue, reallocations, stimulus impact	470	1,016	1,391
Deficit before revenue and reallocations	1,347	1,613	1,563
Total New Revenue, Reallocations, stimulus impact	470	1,016	1,391
Deficit	877	597	172

1. Reallocations include downsizing PAB, Exec pay rollbacks, savings in contracted professional services, travel and drawdown of Housing Fund

2. Using government multipliers (eg. Olympic cost/benefit study uses 20% revenue return rate from Olympic stimulus, BC Stats multipliers). Revenue impact is understated in first year, as the impact of infrastructure spending is slower to arrive.

Capital Plan	09/10	10/11
Housing to End Homelessness	100	150
Green Bond Investments		
• Retrofits, Green Technology, Transit	330	480
Highways and Roads	45	45
Health Care		
• Accelerated Hospital Projects	50	50
• New Acute Care Facilities	10	20
Seniors' Care	85	125
Mental Health and Addictions	8	10
Education		
• Accelerated Seismic Upgrades	40	40
Post-secondary Education	25	45
Community Infrastructure	50	100
Arts Fund	25	25
Total New Capital	768	1,090
Capital Reallocations	(150)	(150)
Total Incremental Capital Investment	618	940