

**Before the British Columbia Utilities Commission**

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<b>British Columbia Hydro And</b>	)	
<b>Power Authority 2015 Rate</b>	)	<b>BCUC Project No. 3698781</b>
<b>Design Application</b>	)	
	)	

**Opening Statement of Seth Klein**

**on behalf of:**

**British Columbia Old Age Pensioners’ Organization, Active Support Against Poverty, BC Poverty Reduction Coalition, Council of Senior Citizens’ Organizations of BC, Disability Alliance BC, Together Against Poverty Society, and The Tenant Resource and Advisory Centre (BCOAPO *et al.*)**

**August 16, 2016**

**Introduction**

My name is Seth Klein, and I am the Director of the BC Office of the Canadian Centre for Policy Alternatives. I am testifying in this proceeding on behalf of BCOAPO *et al.*

The purpose of my evidence is to describe the extent and profile of poverty in BC, to provide my opinion on whether rising BC Hydro rates represent a hardship for low income people. I situate BC Hydro rates within a broader analysis of the circumstances of people living in poverty in BC.

**Poverty Levels in BC**

I first discuss why poverty matters. I frame poverty as causing very real harm to human dignity, and note that many British Columbians are just a step away from the poverty that can arise from events such as the loss of a job, the loss of a spouse or the loss of good health. Redressing poverty is required by our commitment to justice and individual dignity, and principles of collective responsibility for one another. I also discuss the economic and social costs of poverty - costs that are borne not only by the individuals and households that experience poverty, but also by society as a whole.

I then discuss what “poverty” means in terms of actual income levels, given that there is no official “poverty” line in Canada. I consider and explain various low-income measures, including Statistics Canada’ Low Income Cut Off (“LICO”), the Low Income Measure (LIM), and the Market Basket Measure (MBM).

I then use those poverty measures to detail the depth, breadth and persistence of poverty in BC. I note that depending on the measure used, between 451,000 and 663,000 British Columbians lived below the poverty line in 2013 – this includes both

those on social assistance and other forms of income assistance, as well as the working poor.

There is a common perception that the poor are virtually all on social assistance, which is incorrect – for example, while the 2013 poverty rate in BC ranges from 9.9% to 14.4% depending on the measure used, the average monthly number of social assistance recipients in the 2013/14 fiscal year was approximately 3.8%. My evidence notes that many poor people in BC are gainfully employed, yet given the nature of our polarized labour market, they remain poor nonetheless. In fact, in my testimony, I estimate that about half of those below the poverty line in BC are either the working poor or the children of the working poor, which, refutes the common response that the poor should simply “get a job”, or governmental responses that their preferred strategy to address poverty is to create more jobs.

For those who do rely on social assistance, much of day-to-day life is about survival. The current basic income assistance benefit rate for a single person is \$610 per month, and for a single person on disability assistance, the rate is \$906 per month, even here in expensive Metro Vancouver. The disability assistance rate will increase to \$983 per month in September, 2016, but since the government will no longer offer a yearly bus pass, recipients who require a bus pass will need to purchase a monthly pass using \$52 of the \$77 increase. These rates have been frozen for long periods of time (most recently, since 2007), despite the rising costs of everything else, and so the real value (after inflation) of a social assistance cheque has eroded over time. Importantly, people on social assistance do not have an income just below the poverty line, but rather, thousands of dollars below the poverty line. The meagre income assistance and disability assistance rates are supposed to cover everything – food, rent, utilities, clothing, transportation, and other basic necessities. For both income assistance and disability assistance, for a single person, the portion of those monthly amounts designated for rent is only \$375 (an amount at which it is virtually impossible to now find housing). Among those on social assistance, the majority receive long-term disability assistance, which recognizes that those people cannot, nor are they expected to, earn a living through paid employment.

Poverty impacts the most vulnerable members of our communities. My evidence sets out BC’s high level of child poverty – approximately 20% of the poor in BC are children (or between 122,000 and 126,000 children, depending on the measure used). Poverty is also gendered – the overall BC poverty rate for women is higher than for men, and particularly high for single-mother led households and for unattached senior women. I also note that poverty rates are especially acute for certain demographic groups, such as Indigenous people, people with disabilities, various racialized groups, and recent immigrants and refugees.

I also note other indicators of poverty and hardship, such as increased food bank use and higher percentages of British Columbians reporting food insecurity in national surveys, high incidence of homelessness, waitlists of around 10,000 applicants for social housing, and high levels of core housing need (defined as the share of the

population living in housing that is overcrowded, in need of major repairs, or that costs more than 30% of pre-tax income), particularly for renters.

## **Energy Poverty in BC**

Turning to the concept of energy poverty specifically, my evidence outlines my view that there is a growing energy poverty problem in BC. I adopt the definition of energy poverty as set out in a previous CCPA report; namely, a situation where a household's quality of life is compromised by the high cost of energy needed for heating, hot water, lighting and appliances. The common definition of energy poverty is when a household spends more than 10% of its after-tax income on home energy; in my testimony, I cite research showing that 17-20% of British Columbians live in energy poverty, by that definition.

Rising energy costs are regressive—that is, rising BC Hydro bills do not impact everyone equally. That is because, while upper-income households may spend more on energy in dollars, lower-income households spend more on energy as a share of their income. Therefore, when BC Hydro rates go up for all households by the same percent, the impact on the budgets of lower income households will be felt much more acutely. Moreover, people with incomes below any of the poverty lines I describe do not have areas where they can “trim the fat” in their monthly budgets to offset those increases. Further, home retrofits, and the purchase of newer energy-efficient appliances may not be an option for many low income households. My evidence states that each across-the board rate increase exacerbates the regressivity of energy costs, and places additional hardship on the finances of lower income residents. People must instead make difficult choices between essentials, like heating their homes and feeding their families.

The information I present about poverty and energy poverty provides important context for those, including the Minister responsible for BC Hydro, who have rejected the proposition that BC Hydro residential rates pose an energy poverty challenge, given that BC Hydro rates are among the lowest in North America. While it is true that BC Hydro residential rates remain relatively low compared to other jurisdictions, the problem with this response is that it views electricity in isolation from other costs. I present the following costs as examples:

- Housing costs in BC (particularly the Lower Mainland) rank among the highest in Canada, which impacts the rental market as tenants are less able to leave the rental housing market – my evidence notes that the low vacancy rates translates to higher average rents.
- Child care expenses have been increasing at a rate steadily outstripping CPI (the overall inflation rate), and represent the second largest expense after housing for a family in Metro Vancouver.

Finally, I note that BC Hydro residential rates are rising faster than incomes in BC, by a considerable margin. Specifically, between 2008 and 2013, BC Hydro rates increased by 34.4% (an increase of 25.6% after inflation), and continued to increase in 2014, 2015 and 2016. I understand that they are forecast to continue to rise. Meanwhile, average after-tax incomes in British Columbia only grew by 4.1% over the same period – and this is an *average*; the poorest 10% in BC (combining individuals and “economic families”) actually saw a drop in real incomes of 25% over that period.

With the overall cost of living being comparatively high in BC, lower-income households have less room in their budgets for energy costs, and are consequently more sensitive to rising energy and electricity bills.

### **Conclusion**

I conclude that rising BC Hydro rates represent a substantial hardship for low income British Columbians and that some forms of mitigation are required. In the absence of such measures, energy poverty in BC can be expected to worsen as BC Hydro rates continue to increase.