BC COMMENTARY

a review of provincial social and economic trends

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Shifting to a Sustainable Energy Plan for BC

By Dale Marshall

In November 2002, the provincial government released its Energy Plan for BC, which it claimed to be based on principles of sustainability and energy security. Two years later, however, it is clear that the government's plan actually undermines energy security and economic development opportunities in our energy sector, ignores the dangers of climate change, and makes only token gestures towards the need for conservation and energy renewal.

The main themes of the government's Energy Plan are:

- Increasing oil and gas production at the expense of long-term job creation, community stability, and environmental sustainability;
- Privatizing BC Hydro, a move that compromises efficiency, cost-effectiveness, and security;
- Weakening the regulatory environment for the province's energy sectors, including coal-fired power, offshore oil development, and coalbed methane production; and
- Moving towards short-term electricity and oil and gas exports rather than protecting long-term energy security.

There are smart, practical alternatives to this Energy Plan, alternatives that can lead BC in a more sustainable direction for the future. First, BC needs to generate more jobs, economic development, and government revenue from its valuable oil and gas resources. Second, BC Hydro should be re-established as an integrated public utility and directed to do what it is best able to do: undertake long-term electricity planning so that BC has a secure, environmentally sustainable electricity supply. Finally, with respect to both electricity and oil and gas, the province's energy security needs to be placed ahead of exports.

PHOTO: QUEBEC'S CAP CHAT WINDFARM BY JESSICA EDEN

Trends in BC's Energy Sector

During the last decade, employment and economic development from BC's oil and gas resources have both declined. As Figure 1 shows, despite rapid increases in both oil and natural gas production, fewer people are employed in extracting oil and gas in the province. As well, British Columbians make up only one-fifth of oil and gas production workers employed in the province. In terms of value-added economic development opportunities, less crude oil ends up at BC refineries than in the past, and the province has yet to develop any value-added natural gas industries.

In electricity, more supply is coming from higher-cost, private power. BC Hydro now spends more on

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From the Editor

At the time of writing, it seems that the provincial government has more or less given up on industrial development policy. BC Ferries will not even consider building three new ferries in the province, and the final contract will likely end up supporting job creation and industrial development in Europe. The provincial government has also done everything possible to make BC an "attractive" destination for foreign investment — by cutting labour regulations, environmental protection and corporate taxes.

Dale Marshall's call for a new direction for BC's energy plan shows us that it does not have to be this way. We at the CCPA are saddened that Dale, his wife and new daughter have now moved to Ottawa to be closer to family. Dale has taken a position with the David Suzuki Foundation and will be working on climate change issues. The full report, *Running on Empty*, is a fitting swansong to Dale's time here — yet another demonstration that there are made-in-BC alternatives to public policy challenges.

Also in this issue we take a look at social housing and post-secondary education. John Irwin's research on social housing in BC exposes a "shell game" that the provincial government is playing with new federal social housing money. And John Malcolmson surveys the declining public funding and rising tuition fees in BC's post-secondary institutions. Finally, I present some new research on income inequality in BC over the 1990s.

As always, we welcome your feedback.
Marc Lee
Editor

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the 10% of its power that is purchased from private firms than it does on the 90% it generates itself. BC Hydro also depends increasingly on burning fossil fuels — coal, diesel, and natural gas — for electricity.

BC is failing to accept responsibility to protect our global climate despite the fact that the implications of climate change are already devastating.

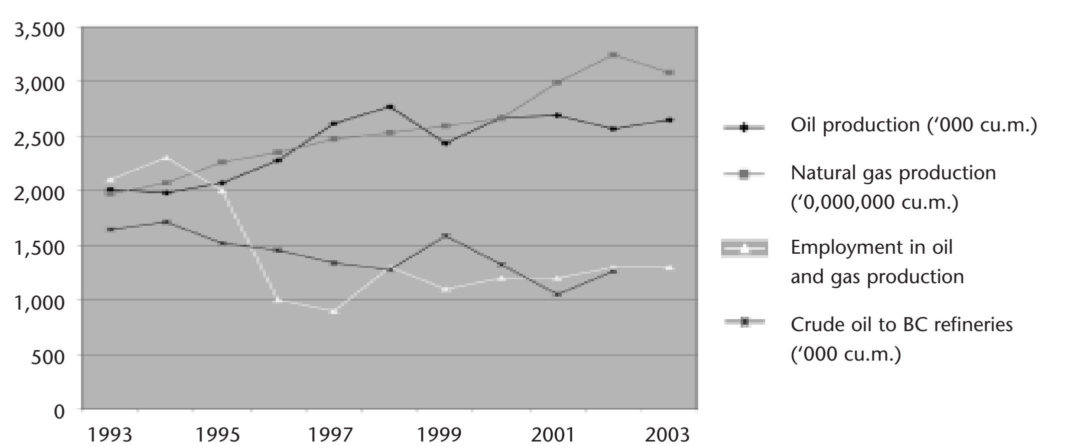
Between 1990 and 2001, greenhouse gas emissions from the electricity and oil/natural gas sectors increased by 179% and 45% respectively (Figure 2). Canada, as a signatory to the Kyoto Protocol, committed itself to cutting emissions to 6% below 1990 levels. BC is failing to accept responsibility to protect our global climate despite the fact that the implications of climate change are already devastating, e.g. forest fires, drought, insect infestations, and flooding.

Energy exports, in both the electricity and oil and gas sectors, are also growing dramatically. This increasingly ties BC's energy resources to continental markets rather than securing energy resources for the province's needs. BC's oil and natural gas reserves now stand at ten and twelve years of production respectively.

Moving in the Wrong Direction

In sharp contrast to the government's promises to British Columbians, it has reduced royalties from, and increased subsidies to, oil and gas development. The intent is clear: no matter how inaccessible the oil or gas (geographically or geologically), no matter how marginal the operation, the BC government will try as hard as possible to make it economical for industry to access it. The province is therefore asking less and less for its non-renewable, and strategically important, energy resources, while leaving the task of figuring out energy security to future generations.

Figure 1: Jobs and Economic Development from Oil and Gas Production

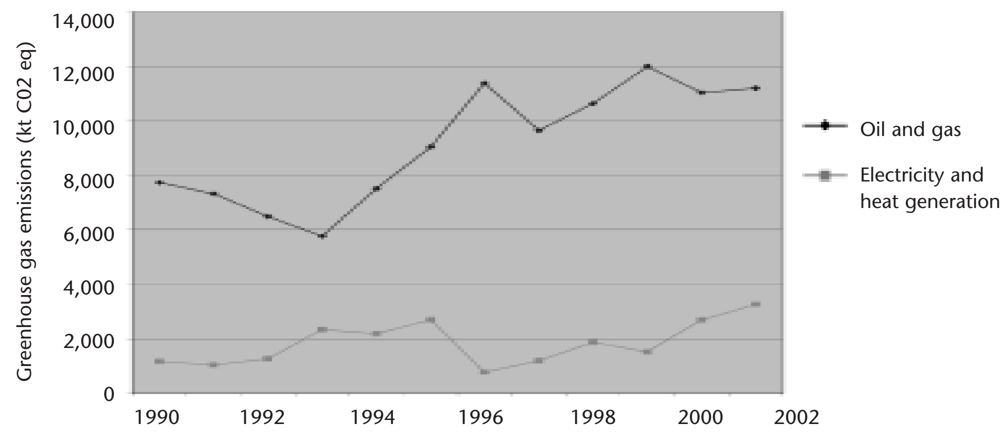


Sources: BC Ministry of Energy and Mines (2004a) and Statistics Canada (2004).

The Energy Plan also weakens the regulatory process by streamlining environmental assessments, streamlining oil and gas approvals, and intervening in the land use process to favour oil and gas development over all other options.

Meanwhile, the Energy Plan is completely silent on value-added economic development opportunities. The BC government argues that producing more oil and gas from increasingly remote areas of the province will create jobs, even though this approach has led to a decline in jobs over the last decade.

Figure 2: Greenhouse Gas Emissions from BC's Oil and Gas and Electricity Sectors



Note: Emissions from oil and gas sector include pipeline emissions. Source: Environment Canada (2003).

The Energy Plan spelled out even more dramatic changes to the province's electricity policy, many of which have already been instituted. Despite the advantages of a public electric utility, BC Hydro has been broken up and increasingly privatized, while the sector as a whole has been deregulated. The advantages of the old system — cost-based pricing, greater energy security, and a greater ability to undertake long-term planning and conservation (known as demand-side management) — have been undermined for the benefit of independent power producers (IPPs).

With BC Hydro restricted from developing new capacity under the new rules, and IPPs given unfettered access to sell to wholesale markets outside the province, there is a trend towards more private power generation for export. British Columbians are left wondering what happened to a major goal of the Energy Plan: energy security.

The Energy Plan also called for environmentally risky, dirty energy development. Fundamentally at odds with greater environmental responsibility (another stated goal) and a greenhouse gas strategy (a proposed policy), the BC government wants to burn coal for electricity, put our marine ecosystem at risk from offshore oil development, and develop marginal gas reserves through coalbed methane projects.

A More Sustainable Vision

There is an alternative road — a more sustainable direction — for BC's energy sector. British Columbians should be benefiting more from our oil and gas resources through higher royalty fees — BC's royalties in 2002 were 23% lower than in Alaska and 55% lower than in Norway — and through the elimination of subsidies to the industry. The province should also establish a permanent oil and gas fund, as many other jurisdictions have, that can be used to diversify regional economies dependent on non-renewable energy resources, while planning for long-term economic transition.

Rather than opening up fragile ecosystems to oil and gas development, BC should be trying to get more economic development out of reduced production. Increased in-province refining and value-added activities would make the most out of non-renewable resources, and would ensure that BC takes full responsibility for guaranteeing that these activities are done under maximum environmental safeguards.

Consistent with these goals is a strong regulatory framework. This would include developing a climate change plan to reduce the province's greenhouse gas emissions to levels committed to under the Kyoto Protocol, with deeper emission cuts in the future. It would also mean evaluating the long-term, cumulative impact of energy development and examining how to reduce that impact over time.

Changes already undertaken in the electricity sector must be reversed. BC Hydro should be re-established as an integrated public utility and mandated to provide electricity security for the province. That would mean the province mandating the public utility to estimate electricity demand in the future and meet that demand entirely through conservation, energy efficiency, and renewable electricity

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Rather than opening up fragile ecosystems to oil and gas development, BC should be trying to get more economic development out of reduced production.

Shifting the Cost of Post-Secondary Education

By John Malcolmson

Since coming to power in 2001, BC's government has moved swiftly to change the way post-secondary education is financed. A freeze on tuition fee levels — the hallmark of the previous NDP governments' post-secondary policy — was lifted early in the new government's mandate. Since then, despite some modest increases in provincial funding, BC's post-secondary institutions have raised student tuition fees dramatically as a means of generating additional revenues.

PHOTO: SFU ACADEMIC QUAD BY ARLENE GEE

Rising tuition fees have clearly worked to cement socio-economic barriers to educational access, as children from more affluent families continue to be disproportionately represented among those attending post-secondary institutions.

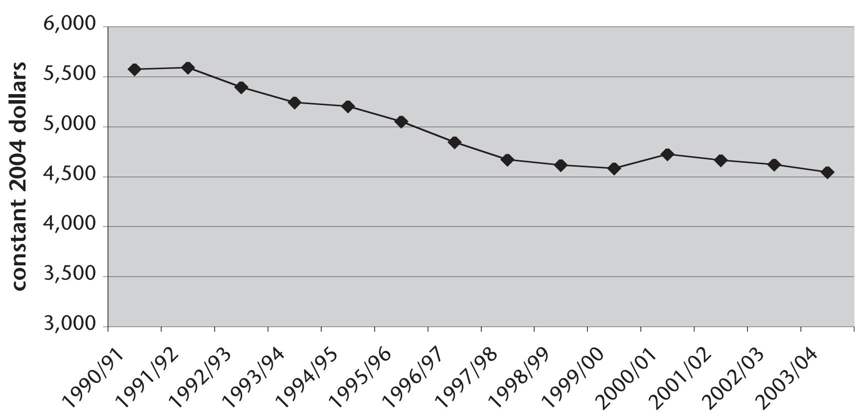
Justification for a change in funding direction has typically been couched in a market-oriented perspective. BC government policy centres on the idea that allowing universities to raise tuition fees will enable them to generate more revenue, diversify course offerings and create new opportunities for students. The end product, from this perspective, will be better educational offerings for students in the post-secondary system. On the other hand, any benefits come at the expense of affordability and accessibility.

Funding for post-secondary education is a complex affair. While provinces retain constitutional authority for education, funding support for the post-secondary system has historically been a shared responsibility with the federal government. Post-secondary institutions also rely extensively on tuition fees. In addition, they receive significant and growing funding support from a variety of private sources including outside organizations, foundations, individuals and corporations.

Figure 1 shows that on a per-student basis, operating funding for universities has declined once inflation is taken into account. While total provincial funding increased by 55% between 1990/91 and 2003/04, student enrolment increased by more than 51% over the same period. Increased capacity for students on this scale is a significant achievement, but absorbs most of the increase in funding. After further accounting for inflation, real per-student levels of funding support for BC universities fell by a total of 18.4% between 1990/91 and 2003/04. Funding was $5,575 (in constant 2004 dollars) per-student in 1990/91, but by 2003/04 had fallen more than $1,000 to $4,548 per-student. On an annual basis, the reduction averages 1.5% per year.

A similar story holds for BC's colleges. We only have college data going back to 1996/97. Figure 2 shows that after accounting for inflation and higher student enrolment, real funding support fell from $7,538 per-student (in 2004 dollars) in 1996/97 to an estimated $6,738 in 2004/05, a total reduction of $800 or 10.6%.

Figure 1: Funding per student: universities



Source: Confederation of University Faculty Associations of British Columbia.

Note: University figures are based on "weighted students," a concept used by administrators to account for the fact that different disciplines of study pose different costs to the university (eg. a medicine student vs. an arts student). For this reason, the per-student numbers for universities are not directly comparable to those for colleges, which are unweighted.

At the same time, post-secondary institutions have raised tuition fees in response to funding shortfalls — a move enabled by the lifting of the tuition freeze. Average undergraduate tuition fees paid by full-time university students across all disciplines in British Columbia rose from $2,770 in 1999/2000 to $4,140 in 2003/04 (figures in 2004 dollars), an increase of 49.5%. For professional faculties like dentistry, medicine or education, average tuition increases ranged from 107% to 125%.

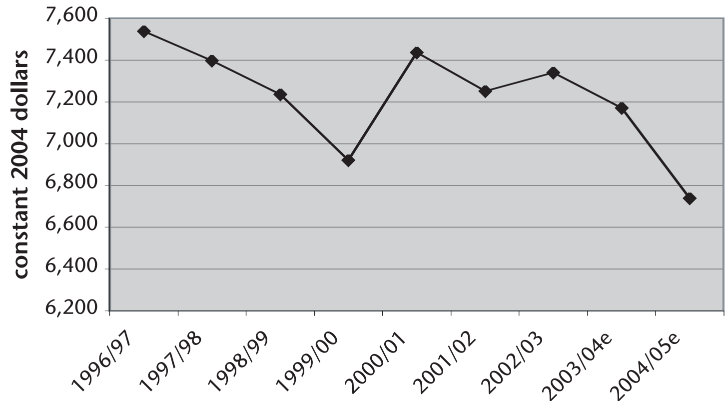
These steep increases are moving BC back towards having among the highest university tuition fees in the country, as was the case at the beginning of the 1990s. Rising tuition fees have clearly worked to cement socio-economic barriers to educational access, as children from more affluent families continue to be disproportionately represented among those attending post-secondary institutions. At the same time, more and more students are being forced to borrow record sums to finance their time within the post-secondary system.

Greater reliance on tuition fees not only increases student debt loads, it also fosters the view that post-secondary education is more of a private, as opposed to social, good — even though the public purse still funds a significant portion of post-secondary costs. From this viewpoint, it is a short step to endorsing further retrenchment of government's role and further movement of the post-secondary system into the private sector marketplace.

In the 2004 BC Budget, the government promised to create 12,000 additional spaces within post-secondary institutions over the next three years, and an additional 13,000 by the year 2010. The initial seat increase will be achieved via new funding totaling $105 million to be phased in over three years. While there is no funding increase for 2004/05, $20 million is to be made available in 2005/06, and a further $85 million is projected to come on stream in 2006/07.

Increasing the number of post-secondary seats is important. However, the budget does little to increase per-student funding levels. Returning the university and college-institute sectors to levels of real per-student funding found in 1996/97 would require about $113 million in additional *annual* funding in 2004/05 — and this would only increase funding for the current number of seats. Nor does this imply that 1996/97 funding levels were adequate.

Figure 2: Funding per student: colleges



Source: Federation of Post-Secondary Educators of BC.

More importantly, the Budget announced intentions to "refocus" funding support away from the provision of student grants. $18.5 million in funding for 2004/05 plus another $10.3 million required for new buildings will be provided directly from cuts to student financial aid. Financial support for students is now to be focused primarily on the provision of student loans.

The bottom line is that our post-secondary institutions need additional funding and at the moment are raising tuition fees to get it. A real commitment of new resources from the BC government would be a better means of relieving the current funding crunch. It would enhance the contribution that post-secondary education makes to the quality of provincial life and the health of BC's economy. At the same time, it would decrease the barriers that rising tuition and burgeoning debt now place in the path of those seeking to benefit from BC's colleges and universities.

John Malcolmson is a consulting sociologist doing research and evaluation work in the areas of labour relations, literacy, education funding and justice. This article draws on his soon-to-be-released policy brief, Trends in Post-Secondary Education Funding in BC.

More and more students are being forced to borrow record sums to finance their time within the post-secondary system.

BC's Social Housing Shell Game

By John Irwin

In the late 20th century, Canada was lauded as a "kinder, gentler" place to live, especially when compared to our American neighbours. This was mostly due to progressive public policies in health care, social welfare, and education. A key part of social welfare programs was the provision of publicly-funded affordable housing for those living on a low income.

PHOTO: DEL MAR INN BY AVI GOLDBERG

Federal money for social housing has become part of a "shell game," where the provincial government counts the same new units as assisted living units, long-term care beds, and social housing units.

Today, this is no longer the case. The federal government has largely exited the field, joined recently by the BC government. To the extent that government support for new housing has been made, most of the money has gone into assisted living units for the frail elderly, not into affordable housing for people with low incomes.

Publicly-owned and funded affordable housing, or *social housing*, provides an important base for those who are unable to pay market rates. Housing supports the physical, psychological, and social well-being essential for a healthy life — it is a preventative health measure.

For most of the post-war era, social housing was provided through federal and provincial government funding for cooperative housing, non-profit housing, urban native housing, and public housing projects. The federal government jointly funded these programs with the provinces, and the cost-sharing formula was two-thirds federal and one-third provincial dollars. This included capital funds to support the building of new social housing, operating funds for established projects, and rent supplement programs for those without adequate incomes.

Since 1993, the federal government has limited its funding to ongoing operating subsidies for existing social housing. No new federal money to build new social housing has been provided, with the exception of $89 million (BC's share) in one-time funding spread over the 2002 to 2007 period.

Canada now has the dubious distinction of being the only Organization for Economic Cooperation and Development (OECD) country without an ongoing national housing program — even though Canada is a signatory to the *Universal Declaration of Human Rights*, which states that everyone has a right to an adequate standard of living, including housing. Unfortunately, in Canada housing is not treated as a right, but as a commodity that is bought and sold in a market system.

From 1993 to the early 2000s, British Columbia and Quebec were the only provinces that continued to fund new social housing projects. BC's stock of social housing grew from 27,503 in 1994 to 40,500 in 2003, an increase of 47%. Yet, even with these additions, the waiting list for social housing has remained long over the last eight years. BC Housing's waiting list declined somewhat from 11,250 families in 1996 to 9,450 in 2001, but since then has increased to 10,450 in 2003.

While the current provincial government has moved ahead with some of the housing projects announced by its predecessor, it has put an end to funding new social housing for those in economic need. Instead, it has transferred this funding to the construction of assisted living units — housing for seniors and people with disabilities who require ongoing assistance due to physical and mental health issues. Moreover, the provincial government is actually converting some existing social housing into assisted living units, thereby cannibalizing the stock of social housing.

While assisted living has its place, many of these people actually require more expensive long-term care, which is being markedly reduced. And to the extent that assisted living units are built, funding should come out of the health care budget.

These more "cost-effective" assisted living units are being built in place of long-term care facilities that were promised during the provincial election campaign. Federal money for social housing has thus become part of a "shell game," where the provincial government counts the same new units

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BC's Growing Gap in the 1990s

By Marc Lee

Standard survey data on incomes in BC show relatively little change in inequality over the course of the 1990s. The availability of tax data enables a reassessment of BC's income inequality performance. Because tax data have much greater coverage rates than standard survey data, they allow us to develop a finer picture of inequality in the 1990s.

Figure 1 shows a standard measure of inequality, the gini coefficient, which ranges from 0 (absolute equality, i.e. everyone has the same income) to 1 (absolute inequality, i.e. one person has all of the income). The three different measures are *market income* (employment, self-employment and investment income), *total income* (market income plus government transfer payments such as welfare and EI) and *after-tax income* (total income minus income taxes).

On all three measures, inequality rose in BC over the 1992-2000 period for which we have data. While it is clear that the tax and transfer system in general reduces inequality, the tax and transfer system did not abate the rise in market income inequality.

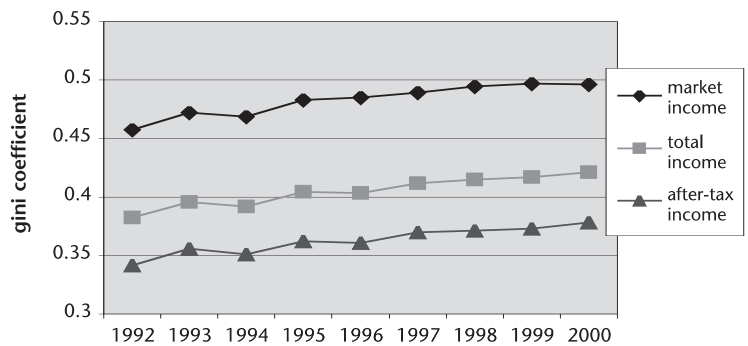
While it is almost cliché these days to say that the rich got richer and the poor got poorer, this is indeed what happened over the 1990s. Figure 2 shows the percentage change in after-tax income for different income groups. In this case we break the population down into twenty groups of 5% (called *vingtiles*) ranked from lowest to highest income.

The figure shows a "staircase" pattern (if all groups gained equally, we would see a "picket fence" instead). The bottom 45% all lost income in 2000 relative to 1992, and the losses get larger the closer we get to the bottom. The bottom 5% had incomes in 2000 that were 42% below 1992 levels (in constant 2000 dollars).

The gains get larger the closer we get to the top. The top 5% had after-tax incomes 14% higher in 2000 than 1992. The ratio of after-tax income at the top and bottom of the distribution grew from 21 times in 1992 to 40 in 2000.

Such a worsening of income inequality might seem odd given that BC had a social democratic party in government over this period. But much of the rise in inequality stems from a more unequal distribution of market income. Government policies play a role as well: cuts to social assistance mid-decade and upper-income tax cuts near the end of the 1990s certainly did not help.

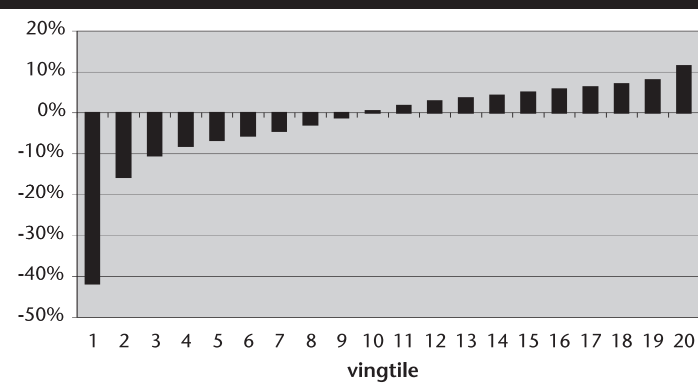
Figure 1: Rising BC Inequality in the 1990s



Note: A movement in the gini coefficient of 0.01 points is considered statistically significant at the 1% level. All three measures in this figure are statistically significant increases by this standard.

Source: Author's calculations based on special runs for the CCPA done by Statistics Canada.

Figure 2: Percent growth in after-tax income by vingtile, 1992 to 2000, tax data



Note: Data underlying this figure are in 2000 constant dollars and have been adjusted for family size.

Source: Special runs for the CCPA done by Statistics Canada.

Compared to Canada, however, BC did "less worse" with regard to rising income inequality. While inequality worsened in both BC and Canada, the gains at the top and losses at the bottom were smaller in BC. Canadians in the middle of the distribution did better than their BC counterparts, however, the likely product of a hot Canadian economy over the 1997-2000 period.

Marc Lee is the Editor of BC Commentary. *This article draws from research in progress on BC income inequality to be released this Fall.*

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BC's Social Housing Shell Game

as assisted living units, long-term care beds, and social housing units, depending on which Ministry issues the press release.

Social housing needs are now going unmet at a time when the market price of housing is rising. Since 2000, in the Greater Vancouver Region, rents for a one-bedroom apartment have increased by a total of 7.7%. In addition, the provincial government recently passed a new *Residential Tenancy Act*, which allows for annual rent increases of 2% plus inflation (a 4.6% increase in 2004).

These rent increases will likely put greater pressure on low-income earners and will drive up the demand for social housing. Roughly 65,000 households in BC are currently in "deep core housing need," spending more than 50% of their income on rent. There is a grave danger that as rents rise and the supply of social housing shrinks, more and more families will be pushed out into the street, or into substandard rental housing.

It is time that both federal and provincial governments get back into building new social housing. Federal funds should be delivered to the provinces conditionally. If the provinces move this funding into health-based programs, such as assisted living, they should be penalized, or the federal government should simply claw the funding back.

In the absence of federal and provincial government funding for new social housing, municipalities should forge ahead and provide new social housing on their own, using the policy tools at their disposal related to zoning and development.

Social housing provision is an effective way to curb cost pressures on the health care, social services, and criminal justice systems that appear when people are left with no housing. More importantly, increasing the supply of social housing results in healthier outcomes for low income people in an increasingly insecure era.

John Irwin is the CCPA-BC's Public Interest Researcher. This article is based on his recent policy brief Home Insecurity: The State of Social Housing in BC*, available at www.policyalternatives.ca.*

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Shifting to a Sustainable Energy Plan for BC

supplies. BC Hydro's own numbers show this can be done cost-effectively.

Independent power producers should be allowed to contribute to a sustainable, distributed electricity system only where they can do so cost-effectively. The emphasis should be on domestic electricity security over export opportunities. The government's current policy of precluding BC Hydro from building new generating capacity must be rescinded.

The provincial government can help the province's utilities meet clean energy goals by working to make BC's economy more energy efficient. The *Energy Efficiency Act* can be updated to allow sales of only the most energy efficient furnaces, appliances, motors, and electrical equipment. Building codes should require the most efficient building design: R-2000 and C-2000 standards for residential and commercial buildings. A building retrofit program should also be implemented for the province's existing building stock.

A clean energy vision for BC would prohibit coal-fired electricity and a natural gas pipeline to Vancouver Island, especially since clean energy alternatives exist. Energy efficiency gains can be made less expensively than by adding new power supplies. The remainder of the gap between projected demand and supply for the next two decades can be met with cost-effective renewable electricity sources, including wind, micro hydro, solar, biomass, and tidal power.

An alternative energy plan must bridge environmental sustainability and economic stability for communities. The province should also work with communities to develop a transition plan following the depletion of non-renewable energy resources, and provide the resources to do so with a permanent oil and gas fund.

Contrary to the government's claims, there is nothing inevitable about its energy plan. In fact, it is possible to develop BC's energy industries in a smarter, more strategic, and more sustainable way.

Dale Marshall was the CCPA-BC's Resource Policy Analyst up to Spring 2004 and is now a climate change policy analyst for the David Suzuki Foundation. This article is a summary of Running on Empty: Shifting to a Sustainable Energy Plan for BC*, available at www.policyalternatives.ca.*

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