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Watch *The Cost of Poverty* video at www.youtube.com/watch?v=pd_nkci-pvo

Poverty comes with a high price tag

By Iglrika Ivanova

It's no secret that British Columbia has a problem with poverty. Many of us do our part and contribute to food drives and other worthy causes. But how many British Columbians realize that poverty is costing us—all of us—a lot more than a few cans of non-perishable food and a new toy donated at Christmas?

A new study released by the CCPA has, for the first time, quantified the economic cost of poverty in BC. We estimate that poverty costs every adult and child in BC as much as an average of \$2,100 each, every year.

The economic cost of poverty to society as a whole adds up to between \$8.1 and \$9.2 billion per year. That's a lot of money—close to 5 per cent of the total value of our economy. Our analysis shows that failing to address the root causes of poverty is very expensive, in terms of both current and future costs.

Study after study has linked poverty to poorer health, lower literacy, more crime, poor school performance for children, and greater stress for families. Poverty takes an enormous toll on the people who struggle with it, no question about it. But at the end of the day, it's society at large that is paying a very high price.

British Columbians pay approximately \$1.2 billion per year in higher public health care costs linked to poverty. We spend another \$745 million annually on policing and criminal justice costs driven by poverty-related crime. Higher costs of income supports and lost tax revenues that come with inadequate earnings account for over \$900 million per year.

Poverty also acts as a significant drag on our economy. BC's prosperity is undermined when people are excluded from the workforce because



STILL FROM THE COST OF POVERTY IN BC VIDEO.

they don't have access to the supports or training they need to do better, or when they are stuck in low wage jobs in our polarized labour market. Underutilizing all the talents and human potential of low-income British Columbians to contribute to society and to our economy is among the biggest costs of poverty (\$6.3 to \$7.2 billion per year).

This is a conservative assessment of the cost of poverty in BC, as our estimates do not capture all of the costs. Notably, we exclude the costs that child poverty imposes on future generations by perpetuating the cycle of poverty. We also do not measure many of the less tangible costs, such as the impact of high poverty levels on social cohesion and our feeling of safety in our communities. Nor do we include the direct cost of providing frontline social services to those in poverty.

The BC government's current approach to poverty is to deal with negative consequences as they arise. This is akin to handling a leaky roof by repeatedly mopping the floor. It makes things look passable when the guests arrive, but it does nothing to address the root cause of the problem. And like a leaky roof, poverty's consequences only get harder and more expensive to fix the more we put off dealing with them.

The high cost of poverty in BC gives us a purely economic reason to be concerned about our poverty levels, which are the highest in Canada.

Seven Canadian provinces and two territories have recognized this and implemented

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A decade of eroding tax fairness in BC

By Marc Lee, Igluka Ivanova and Seth Klein

Ask a British Columbian about taxes these days, and you'll likely hear about the HST. But the HST is just one of many tax changes over the past decade, and its introduction is only one small piece of a larger story of eroding tax fairness. Most British Columbians would agree that everyone should pay their fair share of taxes. And most assume that the wealthy pay more, not only in straight dollars, but also a higher tax rate as a share of their income.



A household in the bottom fifth of the income spectrum pays total provincial taxes of about 14–15% of their income, a middle-income household pays about 13%, and the wealthiest fifth pay about 11%.

But, in reality, that is no longer how our provincial tax system works.

A new report we have co-authored examines changes to the provincial tax system over the last decade. We look at the total provincial tax rate for households at different income levels (the actual tax bill as a share of household income for all personal provincial taxes combined—income, sales, carbon and property taxes, and MSP premiums).

Using a Statistics Canada database that draws on tens of thousands of tax files, we find that BC now has a tax system where the rich pay a lower total provincial tax rate than the rest of us.

In 2000, most BC households paid about the same total tax rate, with the richest 10 per cent paying a little more. By 2010, however, the tax system had become regressive, with the richest 20 per cent of households paying a lower total tax

rate than middle-income ones, and they in turn paying a lower rate than poor and modest-income households.

How did this happen?

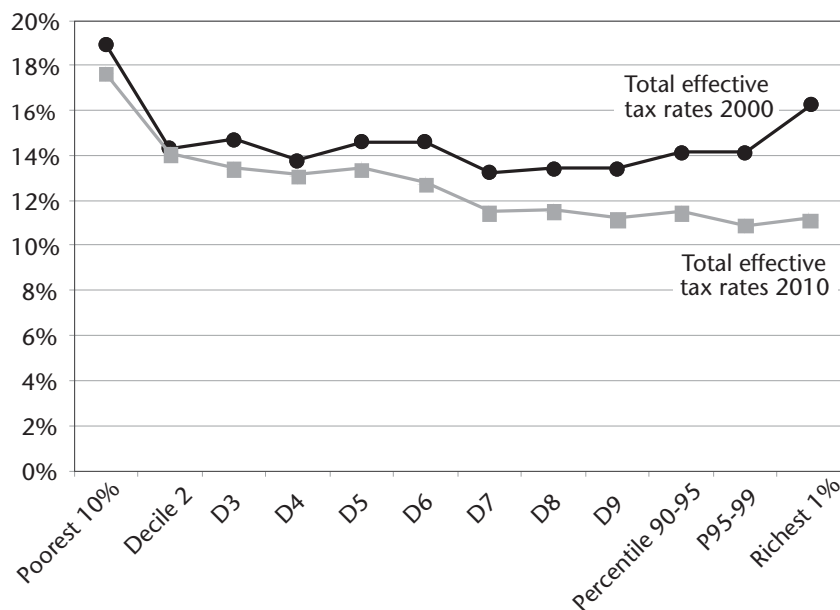
The BC personal income tax system remains mildly progressive, meaning as household income rises, so too does the tax rate. The problem, however, is that income taxes have fallen over the last decade, with the largest tax cuts benefitting primarily upper-income earners.

Other taxes we pay—sales, carbon, property and MSP premiums—are not progressive, but rather, cost middle- and lower-income households more as a share of their income. The provincial treasury now relies more heavily on sales tax income than it does on income tax, and, amazingly, collects more from MSP premiums than it does from corporate income taxes.

The net result is a profoundly regressive tax shift. For example, as of 2010, a household in the bottom 20 per cent of the income spectrum pays total provincial taxes of about 14–15 per cent of their income, a middle-income household pays a total tax rate of about 13 per cent, and the wealthiest 20 per cent pay a total provincial tax rate of about 11 per cent.

And while total taxes are down for all British Columbians, we have not all benefitted equally. Tax cuts between 2000 and 2010 delivered an average of \$9,000 per year to the richest 10 per cent of BC households, and a whopping \$41,000 to the top 1 per cent. In contrast, middle-income households received an average tax cut of about \$1,200, and lower-income ones got about \$200 per year—savings that are likely wiped out by increases in hydro and other fees.

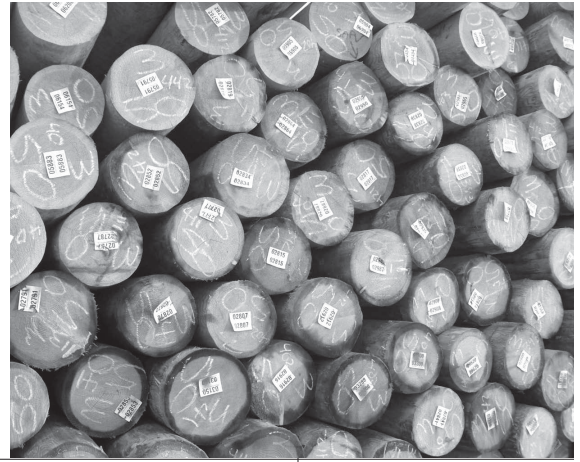
BC total personal tax rates by income group, 2000 to 2010



Inventory of BC's forests incomplete and underfunded

By Ben Parfitt and Anthony Britneff

If you're a clerk in the produce department at the local supermarket you have a big task on your hands. Not only must you track how quickly the bins of apples, lemons, lettuce, radishes and dozens of other fruits and vegetables are depleted, but you must constantly root out the rotten from the fresh and be ever vigilant that behind the swinging storeroom door there's sufficient replacement stock.



Good inventories anchor successful businesses. So it's worth asking: If you had a stock inventory narrowly valued at \$250 billion, would you want to know how quickly it is depleted and replenished?

That, by the way, is the estimated value of the available, commercially desirable trees in British Columbia's publicly owned forests. If you consider the additional value our forests have as carbon storehouses, the protector of water resources, the life support system for numerous plants and animals, and the source of tens of thousands of jobs, you could perhaps quadruple that value.

You might assume that understanding how our forest inventory changes over time would be a top priority for the provincial government. Unfortunately, you'd be wrong. In a dozen years, successive governments have cut funding so deeply that foresters in both the public and private sectors have lost confidence that we know the true status of one of our most vital natural assets.

The bottom line is we don't really know how much our forests have been depleted by logging activities, the mountain pine beetle, other forest insect and disease outbreaks, and a spate of horrendous forest fires. And there are corresponding concerns over just how "satisfactorily restocked" such lands are. Have we planted enough trees? Are those trees still thriving?

Two decades ago, the province spent on average \$22.25 million each year on forest inventories. In the decade just past, annual expenditures plummeted 61 per cent to an average of just \$8.76 million. For the current fiscal year, the projected inventory budget sits at \$7.5 million.

In 2006, noting this troubling trend, the Association of BC Forest Professionals warned that it was unfolding at the worst possible of times, with climate change wreaking havoc in our forests. Not only did the provincial government fail to heed the association's concerns, but in the

following years its inventory funding remained wholly inadequate.

Not surprisingly, the funding reductions were mirrored in deep staff cuts. Twenty years ago, a complement of 188 men and women worked for the Forest Service on inventory tasks; just 39 remain today. Declines in the contractor community have been equally severe.

This gutting of forest management resources helps to explain why the province's own *State of British Columbia's Forests* report for 2010 noted that three quarters of the province had yet to be surveyed to the government's own standard.

But enough of the bad news, let's focus instead on the way out of the box we're in. We should begin with a firm commitment to steady, secure inventory funding in each of the next 10 years at \$25 million per year, or \$16 million more than was spent annually during the last decade.

Where do we get the money? Well, let's start with the public forest resource itself. Considering that BC collects hundreds of millions of dollars annually in timber-cutting or stumpage fees, \$16 million is not a lot of money. It can easily be recouped. Here are two ways:

First, rigorously monitor industry compliance with rules requiring full reporting of all logs harvested by species and grade—rules that some logging companies flout, as Forest Service monitoring and enforcement efforts routinely reveal. Second, raise the province's embarrassingly low minimum stumpage fee from 25 cents a cubic metre to, say, an even dollar. Surely each telephone pole's worth of wood from our forests is worth that.

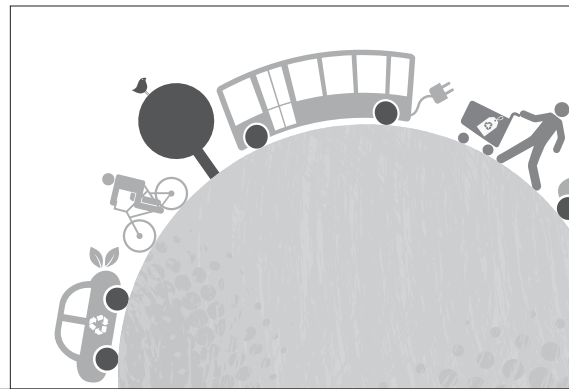
Getting a handle once and for all on what we have in our forests is vital if we are to have healthy forests, communities and families in future years.

The bottom line is we don't really know how much our forests have been depleted by logging activities, the mountain pine beetle, other forest insect and disease outbreaks, and a spate of horrendous forest fires.

Transportation transformation

By Marc Lee

The 2010 Winter Olympics shone a light on one of the most fascinating experiments in transportation planning ever conducted in North America. Previously unthinkable measures were taken to keep downtown Vancouver and Olympics venues from being overwhelmed by gridlock.



People living in complete communities would make green choices not only out of a commitment to the environment, but because these choices were cheaper and more convenient.

In place of the status quo of roads and parking for cars, the city got a massive increase in transit service, pedestrian thoroughfares, and valet bike parking facilities. Spectators could ride transit for free on the day of their ticketed event. And in the end, more people were walking the streets, draped in Canadian red and white, than anyone had thought possible.

All of which goes to show that if the funding, and perhaps more importantly, the political will, are available, major shifts in behaviour can happen with minimal disturbance or inconvenience.

These lessons are central to addressing two key challenges: two-fifths of BC's greenhouse gas emissions are from transportation; and, our dependence on fossil fuels leaves us vulnerable to fuel price spikes. Eventually, we will need to eliminate fossil fuels from our transportation system.

A zero-emissions transportation system, however, can't just be about switching to electric cars. Nor can it be about replacing long commutes by car with equally long ones by public transit. To get to zero, we will also need to create "complete communities."

In complete communities, people do not have to travel very far in order to meet their day-to-day needs, making it possible to walk, bike and use high-quality public transit. This means ensuring a mix of housing types (including affordable housing options) in close proximity to decent jobs, public services, parks and other public spaces, and commercial districts with restaurants, cafés and retail outlets.

People living in complete communities would make green choices not only out of a commitment to the environment, but because these choices were cheaper and more convenient.

This shift is already evident in some parts of BC, from Vancouver to Nelson. In other areas, transforming auto-dependent suburbs and towns needs to become a central project of the next

generation. Converting auto-oriented highways into mixed-use main streets, and parking-heavy malls into town centres, offers the prospect of enhanced livability and greater employment in suburban areas that will reduce the need for extreme commutes.

The need for new housing for a growing and aging population also provides an opportunity for redevelopment plans that reinforce complete communities. Public sector investments can help shape this transition, with libraries, child care, and community health centres. For our growing ranks of seniors, a range of smaller residential homes and supported care units, close to community health centres, would reduce mobility challenges.

These changes in our urban fabric also require that we reallocate space away from cars toward pedestrian and public spaces, bike lanes and bus lanes. This can be reinforced by pricing strategies, such as a rising carbon tax used to fund expansion of public transit service and infrastructure.

Designing complete communities promises other quality of life benefits. It levels the playing field for seniors, youth, people with disabilities, and low-income families so they can live and move easily—even if they are not able to drive or cannot afford a car. Eliminating long commutes frees up time and reduces stress. Lower automobile emissions and more walking and cycling mean a healthier population.

Transportation policy is almost always a political hot potato. Recent examples include Translink's proposed increase in the gas tax to fund transit improvements; billions spent on upgrading highways and a new Port Mann bridge; and concerns over the impact of bike lanes on Vancouver businesses.

But making the right decisions is crucial, as they affect the patterns of where we live and how we

What the frack is going on in the Peace Region?

By Ben Parfitt

In British Columbia's Peace River region, farming families and First Nations are witnessing an unprecedented rush on water resources, a rush driven by energy corporations that need copious amounts of water to produce natural gas.



LARGE VOLUMES OF WATER ARE REQUIRED TO "FRACK" NATURAL GAS WELLS. © GARTH LENZ.

Last year, Bob and Terry Webster got a firsthand taste for just what the water rush means. It's left them and many of their neighbors wondering what the future holds for the region they call home and for one of our most precious natural resources.

The Websters own a buffalo farm on Berryl Prairie, west of Hudson's Hope and a short distance from Williston Lake, the reservoir in the north central region of the province created by the building of the WAC Bennett dam.

During the summer of 2010, single and double tanker trucks ran constantly up and down local roads, filled with water pulled from surrounding streams, rivers and lakes. The water was destined for use in hydraulic fracturing or "fracking" operations—a process used in at least half of all the gas wells drilled in BC and one that is certain to increase.

Fracking involves pumping huge volumes of water at high pressure deep into rock beds to fracture the rock and release natural gas. At some BC fracking operations, where a dozen or so wells are drilled at one location, upwards of 600 Olympic swimming pools worth of water is pressure-pumped underground, water that subsequently returns to the surface heavily contaminated with a range of toxins that can include chemicals, minerals, heavy metals and radiological compounds.

Last September, with their parched fields reduced to stubble by the worst drought in 50 years, the Websters were visited by a Talisman Energy official and surveyors, there to situate a proposed pipeline.

Talisman's proposal was subsequently replicated by Canbriam Energy, with both companies proposing to build parallel pipelines across the Websters' land, each capable of delivering 3.65 million cubic metres of water annually from Williston Lake to the Ferrell Creek area.

The pipeline proposals are potentially precedent setting in that they would herald prolonged

industrial water withdrawals from the hydroelectric reservoir that provides British Columbians with one quarter of their power.

Yet most BC residents know nothing of these proposals or dozens of others like them, which would result in large volumes of water being used to produce a fossil fuel that some say is the natural gas equivalent of tar sands oil, so energy and water-intensive is its production.

In the traditional territory of the Fort Nelson First Nation, there are 17 active long-term water license proposals that would give natural gas companies access to nearly 20 million cubic metres of water per year, more than 100 times what the City of Vancouver's 643,000 residents are estimated to use.

Independent MLAs Bob Simpson and Vicki Huntington used a recent (and rare) legislative session to raise questions about water withdrawals as part of their effort to strike a special committee of the legislative assembly to investigate all aspects of the emerging unconventional gas industry.

In response to questions, Energy and Mines Minister Rich Coleman assured the house on June 1 that there would be an "extensive process of public consultation, discussion and negotiations with First Nations before anything would go ahead" relating to the Talisman or Canbriam water applications.

But no such public consultation occurred. Instead, on June 21 the Websters received a fax from BC's energy industry regulator, the Oil and Gas Commission, saying that Canbriam's water pipeline application had been approved. The Websters asked whether or not Talisman had also received an approval, and were informed that Talisman's proposal had been approved four days earlier.

This certainly left local residents with the impression that the massive water diversion project

Some say that the natural gas produced by fracking is the equivalent of tar sands oil, so energy and water-intensive is its production.

Our analysis shows that failing to address the root causes of poverty is very expensive, both in terms of current and future costs.

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Cost of poverty*

poverty reduction strategies or are in the process of developing them. In fact, poverty reduction has emerged as an issue that transcends party politics and ideology to receive all-party agreement in most provinces.

It's time for the BC government to rise up to the challenge and commit to a comprehensive plan to systematically tackle the root causes of poverty in BC.

We estimate that once fully implemented, such a plan for BC would cost between \$3 and \$4 billion per year. That's less than half of what poverty is costing us now.

Making poverty reduction a priority is the right thing to do. And our report shows that it's also the fiscally responsible thing to do.

The biggest challenge that lies ahead is that upfront investments are needed to bring savings down the line. The four-year election cycle hardly encourages long-term thinking or investments. What's needed is leadership, vision and a willingness to do the right thing for BC's future.

Iglika Ivanova is Public Interest Researcher at the BC Office of the Canadian Centre for Policy Alternatives and the author of The Cost of Poverty in BC, available at www.policyalternatives.ca/costofpovertybc

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What the frack?*

was a done deal. With the OGC having granted Talisman and Canbriam permission to build the pipelines if they received water licenses from the Ministry of Forests, Lands and Natural Resource Operations, could the license approvals themselves be far off?

Late last week, CBC Radio reported that a decision on the licenses will be made at the end of this month, meaning that two months will have passed since Minister Coleman committed to an "extensive" public process.

If this is what extensive looks like, managing public water resources in the public interest appears to be in a whole lot of trouble.

Ben Parfitt is a resource policy analyst with the BC Office of the Canadian Centre for Policy Alternatives.

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Eroding tax fairness*

A big reason for these huge differences is the growing gap in earnings and income. Our provincial tax system, instead of helping to offset the growing income gap, is now contributing to the divide.

These tax cuts come at a price—foregone government revenues and reduced public services. Between 2000 and 2010, BC's tax revenues fell by 1.7 per cent of GDP. That may sound like a small change, but it's equivalent to \$3.4 billion a year—money that is no longer available to reduce the deficit or to spend on needed public services.

It's time for the provincial government to restore fairness to our tax system. Now that the HST debate is behind us, a Fair Tax Commission should be initiated. Such a commission should engage British Columbians in a broad deliberative process, and examine: a) how much money we need to raise to fund the services and infrastructure we want to pay for together; and b) how to raise these revenues in an equitable and efficient manner.

Marc Lee is Senior Economist with the Canadian Centre for Policy Alternatives' BC Office. Iglika Ivanova is an economist and Public Interest Researcher with the CCPA-BC, and Seth Klein is the CCPA's BC Director. They are co-authors of BC's Regressive Tax Shift: A Decade of Diminishing Tax Fairness, 2000–2010, available at www.policyalternatives.ca/bc-tax-shift.

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Transportation transformation*

get from home to work and play. Shifting to a zero-emission transportation system will take some time, but it is realistic to think that by 2040 we can eliminate a huge source of pollution that affects public health and contributes to climate change, while achieving more livable, people-centred cities and towns.

Marc Lee is Senior Economist at the BC Office of the CCPA and co-author (with Patrick Condon, Eric Doherty, Kari Dow and Gordon Price) of Transportation Transformation: Building complete communities and a zero-emission transportation system in BC available at www.policyalternatives.ca/transportationtransformation.

Policy Note

A progressive take on BC issues

Recent posts from CCPA–BC's blog. Join the conversation at www.policynote.ca.

So the HST was defeated. Now what?

By Iglika Ivanova

This summer, Elections BC announced the much anticipated HST referendum results. British Columbians have voted to scrap the HST. The best part about having the results is that now we can move on from the narrow issue of what type of sales tax is better and focus our energies on some of the bigger issues affecting British Columbia.

Since the HST was first announced in the summer of 2009, it has dominated the policy debates in BC, despite the fact that either way, the tax was going to have only marginal effects on the economy.

Yes, the HST is slightly more economically efficient than the PST. But the difference has been vastly exaggerated by HST proponents, who also refused to acknowledge that the tax is unfair to modest- and middle-income families.

This is hardly surprising to readers of PolicyNote.ca who may recall me making this point before:

The HST is certainly an improvement on the PST from an economic efficiency point, but it's a relatively small improvement. I am convinced that the economic benefits touted by the BC government and over exaggerated and the significant job growth in particular, will not materialize.

The reason why the HST only has a marginal impact is that taxes play only a marginal role in investment decisions. The main determinant of investment is expectations for future sales, driven in part by the general economic environment. Proximity to markets, the availability of appropriate infrastructure, access to cheap energy, access to a skilled labour force, and political stability are all much more important considerations when a firm is choosing where to set up shop.

The independent panel report, commissioned by the BC government, estimated that the actual economic impact we can expect from the HST falls far short of the "giant leap" touted by University of Calgary professor Jack Mintz. For example, while Mintz estimated 113,000 new jobs and 8 per cent increase in capital investment by 2020, the independent panel found that we could

realistically expect about 24,400 more jobs and a 4 per cent increase in business investment over the same period.

While I personally would have preferred to keep a reformed version of the HST, I think it's counterproductive to fret over marginal efficiency differences after the people have spoken.

I'm also glad to see a return to somewhat improved tax fairness. We have witnessed a very large increase in income inequality in BC over the past 20 years, and we need to be very careful not to pursue policies that will make this problem worse — like the HST.

Recent research we've done at the CCPA (*BC's Regressive Tax Shift: A Decade of Diminishing Tax Fairness, 2000–2010*) shows that the HST is only one piece of an inequitable provincial tax system, a system in which the richest 20 per cent of British Columbians pay a lower overall/total effective tax rate than the rest of us. Much more needs to be done to make sure everyone contributes a fair share to fund the the services and infrastructure BC needs.

Now that the HST debate is over, it would be great to see some of the energy and focus that many academics and business and community leaders have dedicated to debating the HST be redirected to designing and debating solutions to the real challenges facing BC.

Our unemployment rate remains high and slightly above the Canadian average at 7.3 per cent. The economic outlook has worsened considerably over the last 6 months, with or without the HST. There's a serious risk of our main trade partner, the US, going into a second recession, which may

Yes, the HST is slightly more economically efficient than the PST. But the difference has been vastly exaggerated by HST proponents, who also refused to acknowledge that the tax is unfair to modest- and middle-income families.

push us back into a recession as well. Canadian corporations are not investing, even in the HST provinces. That's because it's not about taxes!

In the meantime, BC hasn't had a budget or significant policy changes since February 2010. The February 2011 budget, tabled in the midst of a party leadership race, was prepared as a "placeholder" budget, padded with unusually large contingencies and forecast allowances to leave the new premier room to implement their own policy priorities. Premier Clark has not tabled a budget yet, deferring the decision until after the HST referendum.

Now that we know what we're dealing with, I look forward to debating Premier Clark's policy priorities for moving forward.

British Columbia families remain vulnerable, burdened with unprecedented levels of household debt —160 per cent of income — the highest in Canada. More and more people are retiring with debt. Our housing market is weakening and bank economists are expecting a "correction" (ie. decline). Unemployment remains high, and is projected to stay over 7 per cent for the next few years. Wages for those who are employed are barely keeping up with inflation.

The reality is that without a robust labour market recovery and real increases in household incomes, consumer spending will no longer be able to drive the type of strong economic growth that BC experienced in the mid-2000s.

We're still struggling with low business investment after years of corporate tax cuts that were supposed to stimulate investment and productivity. It's not for lack of money: private non-financial corporations held \$471 billion of cash in the first quarter of 2011. It's also not for lack of competitiveness, or these corporations would have invested abroad instead of keeping the cash.

The problems that climate change poses continue to grow. We need an economic strategy that would invest in people and take bold steps to support a greener economy for our province.

On top of this, persistent poverty and rising income inequality threaten our economic wellbeing. We spend too much paying for the consequences of poverty instead of addressing the root causes of the problem. We are not fully using the skills and productive potential of those in poverty or those whose lower incomes limit the kind of opportunities available to them. Even the Conference Board of Canada has acknowledged that not just poverty but income inequality "can diminish economic growth and undermines social cohesion."

These are the types of issues that should be at the center of the economic debate in BC, not the best type of sales tax.

Iglika Ivanova is the public interest researcher at the CCPA-BC.

Watch videos and read more Climate Justice and other research at www.policyalternatives.ca

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Inventory of BC's forests

Doing so requires that we invest. Common business sense says to put some of that investment into inventory efforts.

If we don't know what we have, we can't hope to manage it.

Anthony Britneff served nearly 40 years with British Columbia's Forest Service, including senior positions in silviculture, forest health and forest inventory. Ben Parfitt is resource policy analyst with the BC Office of the Canadian Centre for Policy Alternative and recent author of Axed: A Decade of Cuts to BC's Forest Service available at: www.policyalternatives.ca/axed.

BC COMMENTARY

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