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## Time to do away with MSP

BY IGLIKA IVANOVA

*In the lead-up to provincial budgets, progressives tend to focus on the changes we want to see in how our government spends public funds. And with good reason. After years of neglect and underfunding, alarming holes are emerging in key areas, from child protection services and public schools to housing affordability and climate action. They need urgent attention.*

But how about the other side of the ledger—government revenue? BC's tax system has become remarkably regressive since the turn of the century. There's no shortage of ideas for how to make our tax system more fair. One of the most obvious is getting rid of MSP premiums—a tax that charges families the same dollar amount regardless of income (above a low-income threshold of \$30,000).

Premier Clark defends MSP premiums as a necessary cost of public health care, but the reality is that all other Canadian provinces are managing to provide public health care without charging such unfair taxes.

Ontario and Alberta used to have similarly structured health premiums but scrapped them as of January 1990 and 2009, respectively. Instead of following suit, the BC government doubled down on MSP premiums, hiking them by 50 per cent in 2002 and then increasing them by about 4 per cent every year starting in 2010. As a result, MSP premiums have more than doubled since 2001, rising from \$432 to \$900 per year for individuals and from \$846 to \$1,800 per year for families of three or more. The province is expecting to collect \$2.5 billion from MSP in 2016/17, almost as much as we get from corporate income taxes.



I've been pleased to see calls to end this unfair tax from opposition parties, grassroots activists in the BC Health Coalition and concerned citizens. They are right.

BC should be paying for health care the same way we pay for public schools, policing and crime prevention, environmental protection and all other public programs or services—from general revenues. Truth be told, we already pay for health care this way—MSP premiums' only real connection to our public health care system is their clever name. The premiums themselves flow into general revenue and amount to only 13 per cent of public health care costs.

The BC government has clearly been feeling the public pressure. Even before Budget 2016 was tabled, the government announced MSP premium relief for single parents and foreshadowed other changes to MSP. But this falls far short of what's needed.

On budget day, the government revealed that MSP premiums are going up again next year

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*Continued from cover  
Time to do away with MSP*

but as of January 2017 no parents will pay MSP for their children. However, the rates will be increasing for couples. As a result, two-parent families with children will see a 4 per cent increase, as they have every year since 2010. Couples with no children will see the biggest increase—15 per cent or \$240 more per year.

The BC government estimates that the new rules will give a break to about 70,000 single parent families with children. That is only about one third of single parents in the province. Why so few? Because many single parent families already receive premium assistance and won't be affected by the change. Remember that half of all BC children in single parent families are living in poverty, as First Call's 2015 *Child Poverty Report Card* documents.

Premium assistance will be modestly expanded. Single adults will pay nothing if they make less than \$24,000 (up from the current \$22,000) and will only pay partial premiums if they make less than \$42,000 (up from the current \$30,000). Couples, families with children and senior families will see the same increases in their income thresholds—\$2,000 more for those getting full assistance and \$12,000 more for those getting partial assistance.

This is a welcome gesture for modest-income British Columbians who were considered too well-off for premium assistance before, but is a rather arbitrary threshold of where tax fairness ends. For example, a senior couple with income of \$51,001 will pay \$240 more per year under the new scheme, the same as a power couple of executives earning \$5 million.

No amount of tinkering around the edges will solve the fundamental problem with MSP premiums: they are an unfair tax.

Think about it. MSP premiums are a significant expense for a two-parent family of four or a senior couple living on \$51,001 per year, amounting to 3.7 per cent of income. But they are inconsequential to a family making \$500,000 per year. Plus, many people in jobs with good benefit plans (jobs that typically pay higher than average wages) have their premiums paid by their employers, while workers in precarious jobs with no benefits are left paying

out of pocket. This makes the tax even more unfair.

In a 2013 CCPA report on tax fairness titled *Progressive Tax Options for BC*, Seth Klein and I modelled one way to replace the revenues lost from eliminating MSP with a progressive income tax. There are many others.

For example, when Ontario got rid of its health premium in 1990, they replaced it with a combination of a personal income tax increase and a payroll tax (called the Employer Health Levy). The Ontario government at the time argued that this is a fair reflection of the fact that both people and business benefit from public health care and have traditionally shared the costs (as is the case in BC, many Ontarians had their health premiums paid by their employers).

There's no good reason to keep MSP premiums. Budget 2016 should have spelled the end of this unfair tax.

*Igljka Ivanova is a senior economist at the CCPA-BC. She is currently working on a feature article that examines this issue in greater depth and demonstrates how the MSP could be replaced with a fairer tax. Keep an eye on our blog, [policynote.ca](http://policynote.ca), for this piece.*

## Fair taxation— what does that mean?

One way to reduce inequality in our province is to make our tax system more fair. But what exactly would that look like? Well, we've gathered all of our tax-related materials in one spot: videos, reports and studies, opinion pieces and more. Whether you want to read detailed policy analysis or watch a two-minute video that will give you some solid arguments for the next family dinner—we've got you covered.

[policyalternatives.ca/fair-taxes](http://policyalternatives.ca/fair-taxes)

*No amount of tinkering around the edges will solve the fundamental problem with MSP premiums: they are an unfair tax.*

# Yes, let's lower the voting age in Canada.

BY SETH KLEIN

*I was very pleased when MP Don Davies introduced a private member's bill in January that called for the voting age to be lowered to 16. I know private members' bills don't usually make it, but this one is well worth other MPs' backing.*



Students debate & vote on a motion in UK Parliament.  
Credit: Catherine Bebbington/UK Parliament/Flickr

I've long been of the view that youth suffrage is the next logical stage in the evolution of the franchise.

It started off personal for me. The first time I canvassed door-to-door in an election I was 14 years old (yeah, I know, I was odd). And it chafed that I wasn't allowed to vote for the guy I was spending my volunteer hours working for. (And just to refute the argument that is now in your head: no, my parents had not pressed me into the canvassing. My parents are politically progressive, but electoral politics was not their thing.)

In an era when many are deeply concerned about declining voter participation and democratic engagement, why wouldn't we want to encourage young people to vote at an earlier age (and when they have a good opportunity to debate political issues in their social studies classes)? If they did, they would be much more likely to continue voting throughout their lives.

And wouldn't political candidates have to then spend more time and put more thought into appealing to younger voters—those who will have to live with the consequences of today's political choices for longest?

Age limits for different activities have always seemed arbitrary to me. You can vote at age 18, but only drink at 19 in many provinces. You can drive at 16. And consider this: until 1970 the voting age in Canada was 21—which means generations of young people aged 18 to 20 were permitted to fight and die in wars, but could not participate in electing those who decided upon our military involvements.

And of course, our shameful history of denying the franchise to women, Aboriginal people, those of Chinese, Japanese and South Asian

ancestry, religious minorities and prisoners should give us a great reason to reflect on how nonchalant we have been about youth.

One argument that inevitably comes up in this context is that young people will simply vote the way their parents tell them. Of course, this was the dominant argument made against giving women the vote ("they will simply vote as their husbands instruct them"). The argument is grossly insulting.

All of us have met plenty of independent-minded people under 18 who are passionate and well informed about politics and pressing global and current affairs, yet they are denied the franchise. And conversely, we've all met many older people whose lack of political knowledge and understanding is mind-blowing, yet no one suggests this should deny them the right to vote.

Often when this debate emerges, the discussion turns on the question of whether young people are truly ready and able to vote. But it strikes me that this question should be turned on its head; surely, in a matter as fundamentally central to our democratic rights, the onus should be placed on those who would deny the franchise to justify beyond reasonable doubt that there is a compelling case for doing so.

So there's my take. Members of Parliament, please give this bill your consideration.

*Seth Klein is the BC Director of the CCPA.*

*In an era when many are deeply concerned about declining voter participation and democratic engagement, why wouldn't we encourage young people to vote at an earlier age?*

# Housing budget? Not so much.

BY MARC LEE

*It was supposed to be the housing budget, with action to address a top issue facing the province. And mainstream media headlines in the days following the budget release implied that concrete measures had been proposed. But if you read the budget closely, there's actually not much there relative to the size of the problem.*



Photo: Coh Iromoto

*There is strong public support for government interventions on affordable housing, and there is a good case for next year's provincial election to be contested around big ideas on this issue.*

The most significant budget item around housing is that \$355 million from sales of provincial land will go to support the development of 2,000 new units of affordable housing. That amount is over five years, and will be spread all around the province. Based on population share, expect about half of the units to be in Metro Vancouver, where housing affordability is the most acute.

While this is undoubtedly an improvement over doing nothing, up to 1993 the federal and provincial governments built about 2,000 units of social housing per year, at a time when BC's population was much smaller. After the feds dropped out of building new social housing in 1993, the BC government continued to build about 600 units per year until BC's own fiscal hammer came down in 2002.

To put the new numbers in perspective, the waiting list for social housing in Metro Vancouver is more than 4,000 applicants. The BC Non-Profit Housing Association estimates that Metro needs 3,900-5,400 new rental units per year, just to keep up with population growth. At last count (2014), Metro Vancouver's homeless population was 2,777.

In the context of the full budget, BC's projected surplus for the current (2015/16) fiscal year is \$527 million. Large enough for the government to set aside \$100 million into its gimmicky Prosperity Fund, which was supposed to be funded by LNG riches. (Aside: in housing terms, this fund is like someone not paying down some extra money on their mortgage, and instead putting it into a savings account so that at some future date they can pay down the mortgage.)

Looking forward, the government projects surpluses topping \$600 million in each of the next three fiscal years. So there is plenty of revenue available to support new construction of affordable housing, or even enhancements to

its favoured housing policy, rental assistance. It's just that the government does not actually care to do so.

Another way of looking at it is the windfall property transfer tax (PTT) revenue received by the BC government from a hot real estate market. The PTT will bring in \$1.5 billion in 2015/16, up from around \$800-900 million a few years back. If the government had simply dedicated the incremental revenue from the PTT to the development of new affordable housing, it would be larger than what's been put on the table.

As for the PTT, the other housing news is a slight shift in its structure. At a cost of \$75 million per year, sales of new homes under \$750,000 will no longer pay PTT. Note that earlier this week, the federal Liberals introduced measures to cool overheated housing markets by requiring a larger minimum down payment for homes between \$500,000 and \$1 million. The BC Liberals, on the other hand, seem content to add fuel to the fire with this PTT measure.

That exemption for new housing will be financed by a new PTT bracket of 3 per cent of the value of a sold home over \$2 million (i.e., if a home sells for \$3 million, the last \$1 million would pay 3 per cent PTT instead of the previous 2 per cent). This measure to make the property transfer tax more progressive is a step in the right direction, but a small one. Only about 7 per cent of Metro Vancouver sales would be affected by the higher PTT, and it's hard to see this doing much to cool the flows of global capital flowing into Vancouver's market.

Contrast this to the United Kingdom, a place also struggling with overseas capital inflows that are exacerbating housing affordability problems. Reforms in 2014 made their PTT much more progressive, with brackets of 0 per cent, 2 per cent, 5 per cent, 10 per cent and topping out at 12 per cent for properties more

# Getting serious about good jobs

The provincial government's *BC Jobs Plan* is narrowly focused on resource extraction, a risky strategy that keeps our economic health dependent on the ups and downs of oil and other commodity prices, and that ignores the realities of climate change. The plan is also failing to create the jobs we need, and BC's employment rate is still well below pre-2009 recession levels.

Yet progressives have struggled to offer concrete alternative solutions. So in November 2014 the CCPA-BC hosted the conference "A Good Jobs Economy in BC" to kick-start our efforts to articulate an alternative jobs vision, one that considers the environment and climate as well as economic security and employment.

The papers from this conference are all now available on our website, along with a summary by Seth Klein that highlights the key ideas.

Here are some of the questions we had as we planned the conference:

- What can government do to create jobs or foster job creation in key sectors?
- What if our focus was broader than trade? What if our economy was more localized?
- How can we finance or capitalize our alternative job creation ideas?
- Corporate taxes have been dramatically reduced both federally and provincially, with the promise that this would result in more investment and job creation. Yet over half a *trillion* dollars of corporate money is sitting idle. How can we legislate some of that capital back to work?



- How can we ensure training and employment opportunities for traditionally excluded populations?
- How do we ensure that our existing jobs, as well as new ones, are in fact *good*—that they pay well, offer benefits, provide the core elements of economic security that most of us need, and (dare we even consider) are rewarding and meaningful?

Are you curious about what a good jobs economy might look like?

- Read Seth Klein's summary of the papers presented at the conference: [policyalternatives.ca/good-jobs-ideas](http://policyalternatives.ca/good-jobs-ideas)
- Read the papers themselves and watch the slide-shows from presenters: [policyalternatives.ca/goodjobspapers](http://policyalternatives.ca/goodjobspapers)

*How do we ensure that BC jobs pay well, offer benefits, provide the core elements of economic security, and are rewarding and meaningful?*

than 1.5 million pounds (about \$3 million). There is an additional 3 per cent tax across the board if it is not your principal residence.

The province has said it will start collecting data about foreign purchases, another small step. But there is already plenty of evidence that external capital flows are pushing the high end of the market into the stratosphere, with ripple effects across the region and well down the housing market. The BC government has repeatedly stated it has no interest in curbing those capital flows or anything else that would mean housing

prices would come back down to levels that would be affordable for a regular working family.

The issue of affordable housing is not going away any time soon. There is strong public support for government interventions to address the issue, and there is a good case for next year's provincial election to be contested around big ideas on affordable housing.

*Marc Lee is a senior economist at the CCPA-BC. Keep your eye out for a new study on affordable housing by Marc coming later this year.*

# Refugees are bringing new attention to the gaps in our social safety net

BY SUZANNE SMYTHE

*As we welcome refugees in larger numbers this year, the spotlight is turned on our disintegrating social infrastructure.*

*The arrival of many vulnerable but resilient newcomers in the past months has brought our frayed social-educational infrastructure into the spotlight.*

For example, Government Assisted Refugees (GAR) receive a monthly allowance equivalent to the provincial social assistance rates. A family of two adults and two children receives a maximum monthly shelter allowance of \$700; families with four children receive \$785 per month. Unchanged since 2007, these rates do not come close to meeting the shelter needs of anyone—refugees or people born in BC.

This inability to afford housing and other basics with the GAR allowance makes it all the more important for refugees to find work as soon as possible, and indeed low social assistance rates are designed to encourage this. After all, the official policy of the BC government has long been that “the best social program is a job.” This well-worn phrase, around since the 1970s and used by Ronald Reagan and most recently Donald Trump, masks the interdependence of employment, affordable housing and ongoing access to education. Finding work that can pay BC’s rents requires qualifications beyond high school computer skills, math and English. But here again, newcomers and locals alike encounter more holes in our social infrastructure.

The reorganization and cutbacks to adult ESL classes by the former federal government have produced wait lists of over a year for Language Instruction for Newcomers (LINC) in some BC communities, another fact that newly arrived Syrian refugees have discovered. Recent cuts to

adult education programs in BC and the imposition of high tuition fees for adult basic education means that these vital sources of basic education, skills training and technology qualifications are either too expensive or no longer exist. And of course it takes time to learn new skills. All this creates a catch-22: take an insecure low-paying job and risk homelessness and food insecurity, or pursue education in hopes of getting a better job and risk homelessness and food insecurity while getting that education.

Finding and maintaining decent employment requires the coordination of connected systems: housing, education of many kinds, access to health care and supportive social networks. The arrival of many vulnerable but resilient newcomers in the past months has brought our frayed social-educational infrastructure into the spotlight and challenges government decision makers to a) raise housing allowances in the third most unaffordable housing market in the world; b) reverse policies that create disincentives and even punishment for pursuing adult learning and c) ensure language classes are available and affordable.

*Suzanne Smythe is an Assistant Professor in Adult Literacy/Adult Education in the Faculty of Education at Simon Fraser University and a Research Associate with the CCPA-BC. She researches and teaches in the areas of digital literacies, community-based adult learning and adult education policy.*

## The new Policy Note blog is up and running

Check out [policynote.ca](http://policynote.ca) and you’ll find a cleaner, brighter look, lots more photos, and easier to read text—huge thanks to our friends at Affinity Bridge and Raised Eyebrow for the makeover.

While we’ve made big changes to our look, we’re planning to stick with the same sort of crisp, clear, spirited analysis we’ve been offering since we launched in 2009.

Follow Policy Note for the latest from our staff and research associates on everything from climate change to P3s, forestry to electoral reform, health care to child care. We hope you’ll share your favourite posts on social media, and support our efforts to shift the public conversation on social, economic and environmental justice.

[policynote.ca](http://policynote.ca)

# BC government's spin cycle on LNG

BY MARC LEE

*Last year, we made freedom of information (FOI) requests to the BC government about two CCPA-BC studies: A Clear Look at LNG by David Hughes (released May) and LNG and Employment in BC by myself (released July). Both reports poke holes in extravagant claims being made by the BC government about natural gas supplies, environmental impacts, and economic benefits of developing LNG.*



It took several months for us to get a response, a total of 126 pages, although many of those pages are repeats (when an email gets replied to and all the same back-correspondence is attached). Interestingly, the conversations among civil servants are more nuanced, and closer to our own findings. The disconnect happens mainly at the political level, where the government is clearly disinterested in the findings of our research, and instead focused entirely on figuring out a message back to the public. Spin over substance.

## Part 1: Natural gas supplies

In the case of David Hughes, the media took the most interest in his finding that BC's natural gas supplies were not nearly as large as the BC government was publicly and repeatedly stating. In his report (p. 20) he quotes the government stating "BC's natural gas supply is estimated at over 2,933 trillion cubic feet" and this represents "150 years of natural gas supply."

Hughes argues this was "a false and irresponsible statement, considering the data from the province's own BC Oil and Gas Commission" (OGC). According to the OGC, "proven reserves" (tested by drill bit) were only 42.3 trillion cubic feet (tcf) in 2013, while "marketable resources" (estimates based on modelling) were 416 tcf<sup>1</sup>.

The FOI revealed to us that even before we published Hughes' report, he was on the BC government's radar, thanks to a public talk he gave in Smithers a month earlier. A Smithers reporter asked the government for a response to Hughes' critique of the government's claims, and in that response the government acknowledged that most of the 2,933 tcf would NOT be recoverable.

The government then stated they "believe a 30 percent success rate is very achievable over the long term." This is just a guess, whereas Hughes notes that typically only 10–15 percent of the total gas in place in shale/tight gas plays gets recovered. Nonetheless, the civil service comes up with a number, "870 tcf of marketable supply" that is much larger than the OGC estimates, but which shows Hughes' analysis is closer to the mark.

When Hughes' report was released in May 2015, the government almost immediately issued an oped in the name of Natural Gas Minister Rich Coleman. The oped, "BC's natural gas supports long term prosperity," misrepresents Hughes' report (attributing to Hughes only the proven reserves number), while stating 800 tcf as a "conservative estimate" of recoverable gas. The oped neglects to apologize for making the much higher 2,933 tcf public claim in the first place.

The real punchline, however, comes a couple months after the release, with a Natural Gas ministry analyst noting: "It is an ongoing saga over here with communications and the use of proper terminology." This quote was in response to an email exchange with the Oil and Gas Commission, where the OGC states "If I may suggest, perhaps it's time for the Ministry to use the correct language. The estimated Original Gas in Place is ~2900 tcf ... The actual reserves are published in our report. The probable amount of recoverable gas we know about today (Montney and Horn) is ~500 tcf."

All of which is consistent with Hughes' original analysis, and his rebuttal to the Minister's oped. This internal exchange, however, led to a Briefing Note produced for the Natural

*The FOI process shows the BC government's spin machine at work. Their response to our reports is to come up with messages that misrepresent our findings, while ignoring any responsibility for their outrageous claims, even as the bureaucracy shows those claims to be false.*

Gas ministry, which states “other branches of government have misused terms or values such as ‘reserves,’ ‘resources’ or ‘marketable’ in describing BC’s oil and gas endowment.” It sets the record straight with a three-page overview, called “British Columbia’s Oil and Gas Reserves and Resources: A Quick Reference.”

This piece reaffirms what David Hughes has been saying all along, so we are happy that we made a contribution to set the government straight. Or did we? The BC Government’s natural gas website still, to this day, states “British Columbia has more than an estimated 2,900 trillion cubic feet of marketable shale gas reserves.”

## Part 2: Employment

The second part of the FOI is based on my report critiquing the claim that BC stands to gain 100,000 permanent jobs from LNG. I look at regulatory filings from LNG proponents, and their own corporate estimates of temporary construction jobs and permanent operating jobs, and consider some of the potential upstream jobs gains. I find that the 100,000 number came from a consultant’s report by Grant Thornton, which the government commissioned a few weeks before the 2013 pre-election Throne Speech, and then used during the election campaign and after. I review the methodology of the GT report and find exaggerations at every turn to come up with inflated numbers.

The results of the FOI show a confused bureaucracy at best. Upfront they state “The CCPA cites the wrong report—it was KPMG not Grant Thornton that provides the 100k jobs; both are public.” Alas, the KPMG report is not public, and I could find no trace of it despite intensive search. The FOI then reveals the KPMG report is from April 2014, almost a year after the election. That response makes no sense whatsoever—the issue at hand is that the BC government manufactured a massive jobs number for its own 2013 electoral purposes, and used public money to do it.

The tone of the email is mostly concerned with “putting together some messaging in response

to the CCPA’s position on the numbers.” But when they actually state employment numbers, they are close to what I stated in the report. For example, the FOI exchange behind the scenes also includes a comment from Pacific NorthWest LNG (the Petronas-led project) that “in fact, 330 long-term operational careers will be created at the facility.”

This led to another Rich Coleman oped, “CCPA report misguided, poorly researched,” claiming my report was “based on outdated and flawed information.” But true to form, this claim is not proven. The oped cites a few thousand peak (temporary) construction jobs and operating jobs—with numbers similar to those I stated in the report—and which again don’t get anywhere close to 100,000. It only does some hand-waving about “spin-off jobs.” In fact, I discuss potential spin-offs in my paper, and find massive exaggeration by the BC government.

The oped hangs its claims on the credibility of Grant Thornton (and KPMG), citing them as independent analysis. But we know from the Grant Thornton report that the government provided both the data and the economic model to the consultant, and worked hand-in-glove with them over a tight few weeks to produce the numbers in time for the 2013 Throne Speech. This is precisely the problem with government’s use of consultants to give their pet projects the appearance of independent validation.

All in all, the FOI process shows the BC government’s spin machine at work. Their response to our reports is to come up with messages that misrepresent our findings, while ignoring any responsibility for their outrageous claims, even as the bureaucracy shows those claims to be false.

<sup>1</sup> 376 tcf published by the NEB and OGC in 2013 plus 40 tcf added by Hughes to cover the Liard and Cordova plays that were not included in the NEB/OGC report.

*Marc Lee is a senior economist at the CCPA-BC and co-director of the Climate Justice Project.*

## BC COMMENTARY

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

[www.policyalternatives.ca](http://www.policyalternatives.ca)

Editorial team:  
Sarah Leavitt, Shannon Daub,  
and Terra Poirier

Layout & Production:  
Terra Poirier  
<[terra@policyalternatives.ca](mailto:terra@policyalternatives.ca)>

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