

ISSUES & IDEAS

Next premier must keep eye northward

British Columbia's natural resource economy critical to livelihood of service-oriented urban areas

TIM MCEWAN



In one month's time a new premier-designate will be chosen. Here is a speech for the new premier.

Fellow British Columbians, it's a pleasure to address a topic that is core to my agenda as your new premier: The fundamental importance of our northern decade of economic opportunity to securing British Columbia's future.

British Columbia is a vast province with a large urban population nestled mostly in the southwest corner of our land mass.

It's easy to forget under the electoral weight of the southwest corner that our province's north remains critically important to the economic livelihood of urban B.C. But we forget at our peril.

The majority of our province's goods producing exports originate in the north and the vast majority of the Lower Mainland's service-based economy is dependent upon them;

Our natural resource economy — derived from forest products, minerals, gas, coal, and bio-energy — underpins the provincial fiscal framework.

Health care consumes fully 46 per cent of provincial government expenditures, with expectations of further increases as the top end of the baby-boom generation reaches age 65 this year.

Our province is expected to grow dramatically over the next 20 years, reaching seven million people by 2030, thereby increasing the demand for social services and infrastructure.

We have challenges on the horizon, but these are matched by enormous opportunities.

The good news is our north is tremendously rich in resources. The world needs what the north has to offer, whether it is the United States or the Asia Pacific, led by China.

There are, though, a number of things necessary to unleash the full economic potential of the north.

We must harmonize our environmental assessment processes with those of the federal government. This is critical for the timely development of new mines and other land-based projects.

We must work diligently with corporate interests undertaking industrial development on the land base to meet contemporary social licence expectations to consult and accommodate (and where possible partner with) First Nations; to ensure environmental protection requirements are met; and, to



The Port of Prince Rupert has more potential and is closer to the vast markets of the Asia Pacific than other ports on North America's west coast, says Tim McEwan, president of Initiatives Prince George Development Corporation.

provide communities with long-term benefits from development.

Northern communities should share more directly in the proceeds from wealth that is produced in their backyard. Our government will examine resource revenue-sharing mechanisms to assist with regional economic diversification and research and development.

The time has come to leverage the strategic position of the Northern Pacific Gateway as the shortest and most direct corridor for the movement of goods between the two largest market economies of the world: China and the United States.

For more than a century we have known that the Port of Prince Rupert has more laden potential and is closer to the vast markets of the Asia Pacific than other ports on the west coast of North America. The three-year old Fairview Container Port at Prince Rupert is an overwhelming success. Our break-bulk terminals there are near capacity. And Prince George is growing as a multi-modal hub with recent dramatic increases in dimensional lumber, pulp, and coal exports to China.

Fellow British Columbians, the time to make strategic investments in the Northern Pacific Gateway Corridor is now. We must move forward with the next phase of the Container Port at Prince Rupert. We must add break bulk capacity there as well.

We must help with additional infrastructure requirements at the Prince George International Airport so that it becomes a refuelling and air cargo hub.

We must work with the federal government to expedite Highway 97 projects including the Cariboo Connector four-laning program and safety and technical improvements to the Pine Pass so that service and supply businesses throughout B.C. can access the Peace Region with the Site C clean energy project on the horizon and further gas developments to come.

And we must work with the federal government and other member provinces of the New West Partnership to twin Highway 16 from Hinton, Alta., to Prince Rupert. After all, the Port of Prince Rupert and the vast opportunities of the Asia Pacific belong to Alberta and Saskatchewan as much as they do B.C.

Investments must be made in our knowledge economy, especially people in the north. Skilled trade shortages are looming again.

We must continue to invest in skilled trades and technology disciplines at the three northern colleges.

We must look for ways to expedite recognition of foreign credentials whenever and wherever possible.

We must add engineering disciplines at the University of Northern British Columbia. As the path-breaking Northern Medical Program proves, if you train people in the north you will retain people in the north.

And we must find creative ways to deliver Kindergarten to Grade 12 education in rural and remote communities.

A modern knowledge, resource, and gateway economy requires state-of-the-art communications infrastructure. We must address cellular phone

coverage and broadband requirements of our Northern Pacific Gateway Corridor.

And we must continue to aggressively market our northern resource products in the Asia Pacific, building on the resounding success of lumber sales to China.

My government will ensure that the 2015 Canada Winter Games in Prince George reflect the same spirit and depth of commitment that there was for the 2010 Vancouver Olympics and Paralympics. We will be a funding partner for key Games legacy projects, including downtown development priorities in Prince George. We will leverage the games so that northern B.C.'s smaller communities are discovered by the rest of Canada.

Fellow British Columbians, the north is the future, not the past.

Knowledge creation belongs in the north, not just the south.

Resource industries are sunrise, not sunset.

Connecting to the world — especially the Asia Pacific — is imperative, not optional.

As then premier W.A.C. Bennett said in 1953: "To the virtually limitless resources of British Columbia there must be added as a matter of deliberate policy the additional resources of population and capital if the province is to develop as it should."

Tim McEwan is president and chief executive officer of Initiatives Prince George Development Corporation.

mcewan@initiativespg.com

Bringing back PST would be costly

GREGORY THOMAS



There's lots not to like about the HST. But in this year's referendum, you will be asked to vote to scrap the new harmonized sales tax and reinstate the provincial sales tax or to keep the HST.

And as much as the HST has its flaws, the old provincial sales tax is much worse. When introduced in 1948, it was opposed by the labour movement on several grounds, mainly that it would result in higher prices to consumers.

Sixty years later, the PST is still a job-killing tax and one that passes along higher prices to consumers.

Bill Vander Zalm, the Fight HST organization and the NDP deserve a lot of credit for helping Gordon Campbell and the B.C. Liberals to understand that voters don't accept the HST the way it is, with its excessively high rate and its rat's maze of rebates, credits and exemptions for special interests. But we need a better alternative than the old PST.

Does anybody seriously suggest that we rehire a duplicate, second set of tax collectors, reprint a duplicate, second set of tax forms and go back to forcing every retailer in British Columbia to follow two different sets of tax rules, keep two sets of records and send two separate cheques to two separate governments? Does anybody seriously want employers to go back to adding seven-per-cent PST to the cost of investing in the machinery, equipment and supplies they use to operate?

Does anybody seriously doubt that we're in competition with places like Ontario, Washington state, China, India and Germany for every available job?

Ontario Premier Dalton McGuinty admitted in September that a yes vote in the B.C. referendum would give his province a boost over B.C. "There's no doubt about it — it will give us a competitive advantage," McGuinty said.

Much has been made of the cost of the coming referendum — \$30 million. The Canadian Taxpayers Federation has always spoken strongly in favour of giving taxpayers a veto on tax hikes, either in a referendum or a general election.

This whole HST mess could have been avoided, if the B.C. Liberals had campaigned openly for the HST in the last election, or announced an immediate referendum in the summer of 2009.

The Fight HST forces deserve credit for putting taxpayers back on government's radar screen — when 700,000 people sign a petition, there's a message in there.

Rather than being obsessed with the cost of democracy — \$30 million in this case — we believe B.C. voters should be concerned with the cost of voting yes.

Consider the \$1.6 billion in federal tax dollars transferred to the province because both the Conservative government and the official Opposition believe the adoption of the HST to be in the national interest. Politicians in Quebec are so irate about the billions offered B.C. and Ontario, they're demanding what they describe as equal treatment for Quebec. Now there's a switch.

Also, B.C. needs to be competitive if we're going to create good jobs and keep them in the province. Charging the old provincial sales tax on business machinery, equipment, and supplies pushed up costs for B.C. employers. Under the new system, businesses pay HST, but recover the money from the HST they charge their customers, ensuring the tax is only collected once. These employers account for 30 per cent of the province's economic activity — and it's the 30 per cent of the economy that helps pay for the public sector services we all value.

The new HST can be improved for consumers — Stephen Harper campaigned successfully on reducing the GST from seven per cent to five per cent, addressing the legitimate concerns of Canadians that their government was gouging them at the checkout counter.

Anybody who wants to reinstate the PST needs first to offer an explanation of how they plan to balance the books if the B.C. economy loses its competitive edge and people start losing jobs. Even with \$1.6 billion in federal incentives for the HST, the province forecasts a \$1.7-billion deficit this year. And our provincial debt — \$34 billion when the current government took office in 2001 — is forecast to grow to \$55 billion by the end of 2013.

Those who want to keep the HST need to offer a compromise of lowering either the HST or other taxes to compensate consumers. So when you're trying to decide whether to go back to the job-killing PST or to keep the HST and work on making it better, you already know the answer.

Gregory Thomas is the B.C. communications director for the Canadian Taxpayers Federation.

Condo fees should be fully factored into mortgages

BY PAULA ARAB

When I bought my condo several years ago, my big fear was that I would overextend myself by purchasing more than I could comfortably afford. That fear would have been realized had I listened to the bank, which qualified me for a mortgage almost a third higher than what my financial adviser gave as my upper limit.

What neither I, nor the bank, considered, was the full extent of the pain caused by monthly condo fees.

It's insane that only 50 per cent is calculated in the mortgage qualifying formula, since there's no such thing in the real world as paying anything less than the full amount.

As a member of my condo board, I can tell you alarm bells go off whenever there's a problem with a monthly payment. The financial health of the building, and thus, all individual unit owners' personal investments, is at stake.

Indeed, the condo corporation is within its right to foreclose on an owner who fails to contribute his or her share to the building's maintenance and upkeep.

Federal Finance Minister Jim Flaherty made a serious mistake in rejecting a proposal that would have changed the qualifying formula for condo buyers to include 100 per cent of the monthly fees. Using the lesser amount simply sets owners up for failure, and lulls them into a false sense of security in terms of housing affordability.

Overall, Flaherty did tighten up the mortgage rules. Among the changes, he lowered the maximum amortization period for government-insured



Calculating less than 100 per cent of condo fees into the mortgage qualifying formula sets owners up for failure, Paula Arab says.

mortgages from 35 years to 30 years. It's a good move, but it still doesn't go far enough. Don't forget, it was only a few short years ago when that maximum period was 25 years. And while Canada never had a major subprime mortgage sector here, requirements did loosen during the bubble years. Ottawa allowed the amortization period to go from 25 years to 40 years almost overnight.

The purpose of tightening mortgage rules is to maintain healthy consumer debt levels, and to tackle concerns over high household debt.

To those analysts, mortgage specialists and real estate agents who say the stricter rules will price people out of the market, I say: If someone can't afford to be in the market, they probably should be priced out of it.

The reality with condos is owners have a legal responsibility to pay their share of upkeep for the common space. Condo fees are determined based on

the size of the unit, so those with bigger apartments pay a bigger share.

The fee is also used to contribute to a reserve fund, which should be reviewed by a professional every five years. The reserve-fund study ensures there is sufficient money to adequately maintain the building. It lays out a timeline for repairs and calculates how much the corporation should be saving each year to cover those estimated expenses.

If the condo corporation fails to get it right, and there's not sufficient funds to pay for an anticipated or unanticipated expense, owners can be hit with a one-time fee called a special assessment. It can be in the thousands of dollars.

But if buyers have already extended themselves financially to get into their condos, they'll have little ability to borrow. Those who can't pay could ultimately face foreclosure, says Lubos Pesta, a real estate lawyer who wrote about special assessments becoming more commonplace in the city.

"Let's say the people maxed out on their mortgage already, because they were first-time homebuyers. They could not borrow more money if the value of the property hasn't gone up," Pesta told me. "They would have to go to family or friends, or someone else, to borrow the money, or they would lose the property."

Those are pretty high stakes for those who entered the market during the good times, when there was a rush to convert old, deteriorating apartment buildings into condos. The units were spruced up, but oftentimes, according to Pesta, developers failed to inject sufficient funds into the reserve accounts.

Now, those 25- to 30-year-old buildings are showing cracks, requiring major repairs such as exterior stucco work, roof repairs, new elevators or boilers, and other significant expenses that have resulted in owners being charged one-time special assessments of five figures or more, per unit.

That's a financial nightmare that anyone can find themselves in. I like to think I'm smart, just not so good with numbers, which is why I trusted experts to tell me what I could and couldn't afford. In hindsight, getting a second opinion was the best decision I could have made. I recommend all potential condo owners do the same, until the mortgage qualifying rules are updated to better reflect the reality of condo fees.

Calculating unrealistic costs of condo ownership might as well be the same as blowing air into the real estate bubble.

Postmedia News

COMMENTARY

Include name and telephone number along with submission of no more than 750 words to: sunopinion@vancouvernews.com (no attachments). Writers whose submissions are accepted for publication will be notified within two weeks. Address: The Vancouver Sun, Suite 1-200 Granville St., Vancouver B.C., V6C 3N3. Press releases: sunnewstips@vancouvernews.com