

Prescription Before Diagnosis: The Dynamics of Public Policy Construction in the BC Liberal
New Era, 2001-2005

By

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B.A., University of British Columbia, 1975
M.A., University of Victoria, 1978

A Dissertation Submitted in Partial Fulfillment of the
Requirements for the Degree of

DOCTOR OF PHILOSOPHY

in the Department of Political Science

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University of Victoria

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ABSTRACT

The BC Liberal New Era was an intense and often controversial period in the province's political history. One day after being sworn into office with a massive majority, Premier Gordon Campbell announced a 25 percent personal income tax cut, potentially relinquishing one billion dollars in tax revenue. Seven weeks later, Campbell and his Finance Minister followed up with another billion dollars in business and corporate tax cuts. Based on the apparent success of tax cuts in provinces like Ontario, where tax cuts coincided with very strong economic growth, they believed deep tax cuts in 2001 would prove efficacious despite sharply declining economic indices. They initiated tax cuts in the face of cautionary advice from the Ministry of Finance and without the benefit of a report from their Fiscal Review Panel. Their decision proved to be a compelling, real-world example of prescription before diagnosis.

The 2001/02 fiscal year saw only 0.6 percent economic growth, much as the Ministry of Finance had predicted, not the 3.8 percent growth anticipated by the Premier and Finance Minister. An overall \$4.4 billion deficit quickly translated into deep expenditure reductions for

ministries other than Health, Education, or Advanced Education. The latter ministries accounted for seventy percent of BC's budget and were protected from cuts by a campaign commitment. Resource ministries were hit hard with cuts of up to 45 percent but could not come close to filling the budget hole. The New Era thus offers a second and stark example of prescription before diagnosis: the belief that social ministries could also manage deep budget cuts without detrimental consequences to the disadvantaged and vulnerable clients they served.

Long before tax cut optimism began to fade, Campbell introduced an array of processes – like core review, deregulation, devolution, and alternative service delivery – drawn from other jurisdictions and, indirectly, from the tenets of New Public Management. Those processes were clearly designed to foster smaller government, prompting a critical question: was the introduction of dramatic tax cuts into a recessionary environment intended to produce a self-induced crisis, thereby underlining the imperative of austerity? My dissertation supports that suggestion, but also concludes that the “burning platform” became a far greater conflagration than its authors anticipated. The BC Liberal *New Era* campaign platform's ambitious social policy agenda was consequently sacrificed to sustain its economic agenda.

The *New Era* campaign document aimed to maximize voter appeal by promising “everything at the same time” and similar expectations drove New Era processes. Ministries were obliged to deliver on process goals as well as expensive *New Era* platform commitments while simultaneously cutting staff and programs. Confronted by seemingly endless and intractable problems, ministries looked nationally and internationally for policy experience that might inform provincial solutions. Policy transfer produced mixed results. The New Era experience suggests that the frequency and intensity of process demands – compounded by budget-driven resource attrition – inhibited rather than fostered policy success.

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ACKNOWLEDGMENTS

There are many people I want to thank for assisting me in pulling this project together. First and foremost I want to thank my dissertation committee: Colin Bennett (Chair), Jamie Lawson, James Tully, and Evert Lindquist. This venture would never have been launched, never mind completed, without their inspiration and advice. I had the good fortune to hold elected public office for 35 years. The New Era was resoundingly my least favourite period in political life and I was not initially enthusiastic about a deep dive into the topic. Happily, my committee convinced me that all the misgivings I nursed about the New Era made telling the story all the more important.

Colin Bennett's early advice with respect to content and organization was remarkably helpful, as were his subsequent suggestions for improvement. Committee members also provided great advice along with a careful and constructive reading of early drafts, producing a deeper and richer account as a consequence. My thanks also to Professor Allan Tupper of the University of British Columbia for his work as External Examiner. I am also appreciative of advice around the efficacy of tax cuts from Brant Abbott (Assistant Professor, Economics, Queen's).

I also enjoyed the benefit of draft reviews from former public servants and cabinet ministers of the New Era. Their wisdom, observations, and insights were very valuable and much appreciated (just like back in government) but acknowledging them personally here would be inconsistent with the objective of strict anonymity for interviewees. I was frequently surprised by the interest (and sometimes even passion) which former public servants demonstrated around the New Era project, enabling me to provide a far more precise and detailed

account of the period than would otherwise have been possible. Their courage, energy, and wisdom also allowed me and other politicians to survive the New Era and I thank them for it.

I would also like to thank my family. We do not get to choose our parents but I was entirely fortunate in my luck of the draw. My mother and father, Irene and Malcolm Abbott, were always supportive of securing a good education. I am pleased to report that my mother at 96 years of age will finally see her youngest son complete university! In my dissertation journey, my wife Lesley has always patiently answered my many questions about the mysteries of Word and word processing. Our children – Megan, Brant, and Wade – have long since ascended into adulthood but I remain appreciative that, despite the ignominy of a politician father, they are such balanced, thoughtful, and capable people. My political gene will perhaps re-emerge in my grandchildren – Raiden, Alissa, and Serena – but I won't wish it on them. I do hope that someday, in a political science course of their own choosing, they will read this dissertation and say, "Oh, so that's what Grandpa meant by 'what a long strange trip it's been.'"

PREFACE

My dissertation examines the BC Liberal New Era from the election of 2001, which ushered in the new government, to the throne speech of 2005, which signalled a profound shift from austerity and retrenchment to a more expansive social agenda headlined by “Five Great Goals for a Golden Decade.” The New Era – a title drawn from the 2001 BC Liberal platform document *A New Era for British Columbia* – was an intense and demanding period for many politicians and public servants. I was among the ranks of the former, a minister in Gordon Campbell’s cabinet throughout the period and now belatedly thrust into the role of participant-observer.

I reflect further upon the challenges of that role in Chapter 1, which also provides a brief introduction to the New Era experience and the central role that tax cuts played in its unfolding. Chapter 1 also summarizes methodology, sources, and approaches utilized in my analysis.

Chapter 2 assesses the evolution of the BC Liberal party between the elections of 1996 and 2001. That evolution was reflected in doctrinal content of party platforms across the period and in Campbell’s concerted coalition-building, largely aimed at shoring up support on the party’s right flank. Chapter 2 also identifies and describes institutions and processes of the New Era and the important role Ralph Klein’s Alberta played in influencing both. Finally, this chapter assesses the character and content of the Gordon Campbell approach to politics and his apparent use of crisis as a political weapon.

The role of New Public Management and of policy transfer in shaping and guiding the BC Liberal New Era is discussed in Chapter 3. The interaction of speed, focus, and financial resources in addressing complex public policy problems is also considered. Together the first three chapters set out the context of the New Era and comprise Part 1 of this dissertation.

Part 2 focusses on policy, process, and institutions. Chapter 4 examines the genesis of the post-election tax cut, the debate which preceded its announcement, and its implications for public policy and programs. Chapter 5 discusses the many and varied processes engaged by the BC Liberal New Era and their genesis within the world of New Public Management and elsewhere. Those processes had a profound impact on ministries and their delivery of services, producing vital lessons to be learned.

Part 3 examines the consequences – often unanticipated – of public policy shifts in the New Era. My dissertation provides three case studies involving large and socially sensitive ministries -- Community, Aboriginal and Women's Services (MCAWS), Human Resources (MHR), and Children and Family Development (MCFD) – in Chapters 6, 7, and 8 respectively. The ministries varied in size, scope, and range of responsibilities, but each offered experiences reflective of social policy challenges amid the austerity of the New Era. The dissertation concludes with Chapter 9 which draws lessons from the politics and public policy of the New Era.

My title, *Prescription Before Diagnosis*, is drawn from a presentation by Christopher Pollitt to a 2013 public governance reform conference in Lisbon, Portugal. Pollitt uses the phrase to describe important public policy reforms undertaken without thorough analysis, typically by politicians driven by ideological zeal.¹ My dissertation argues that the decision of the Gordon Campbell government to initiate a 25 percent tax cut on its first day in office (and

¹ Christopher Pollitt, *What Do We Know About Public Management Reform? Concepts, Models, and Some Approximate Guidelines*, A paper presented at the "Towards a Comprehensive Reform of Public Governance" conference, 28-30 January 2013, Lisbon, 5.

weeks before its self-appointed Fiscal Review Panel reported back) was a powerful example of prescription before diagnosis.

Why write a dissertation on the New Era? My aim is not just to provide an honest and compelling account of an intense and sometimes discordant period in BC's history, but also to identify and articulate some vital political and public policy learnings from it. Continuing education and mentoring are commonplace for public servants, but far less so for politicians. The latter are expected to arrive in office fully formed and wholly equipped for their roles, having convinced their electors that they and their party have "all the answers" to the problems of the day. Alas, the New Era demonstrated that politicians are not immune to periodic miscalculation and misjudgment. I hope current and future politicians and public servants may learn from misadventures of the past and benefit from my retrospective reflections and analysis.

The BC Liberal "day one" dramatic tax cut proved a defining moment in the New Era. Why did those tax cuts prove less efficacious (at least in terms of "paying for themselves") than anticipated by their authors? Were tax cuts the wrong policy at the wrong time, destined to fail amid weakening local and world economies? What implications would the failure of tax cuts to "pay for themselves" hold for vital social programs? And would the bevy of New Public Management tools deployed in the New Era – like core review, deregulation, and privatization – support or undermine such programs? Tax cuts continue to be a frequent visitor to the political stage, particularly among parties of the centre-right. Aspiring policymakers would be well-advised to heed lessons accrued from the New Era experience and recounted below.

As noted in the acknowledgements above, I was the beneficiary of generous support from both my supervisory committee and former public servants in the preparation and review of my dissertation. Any shortcomings in this story reside of course exclusively with me. I have not

broadly canvassed my former New Era political colleagues. Most are already extensively on the record through Hansard transcripts of legislative proceedings and media coverage from the period. The proponents of smaller government and lower taxes among them would likely convey the New Era in cheerier terms than I have here. I await their spirited rebuttals. But what follows is my story and I'm sticking to it!

CHRONOLOGY OF KEY NEW ERA EVENTS

17 May 2001: BC Liberals win 77 of 79 seats in provincial general election.

25 May: Premier-elect Gordon Campbell announces appointment of BC Fiscal Review Panel.

5 June: Premier and cabinet are officially sworn in.

6 June: Premier Campbell and Finance Minister Gary Collins announce 25 percent tax cut for all personal income tax brackets.

25 June: Premier issues individual mandate letters to cabinet ministers launching core review, deregulation, and other processes.

27 June: Premier advises cabinet that “getting costs under control was at the top of the government’s agenda.”

23 July: BC Fiscal Review Panel issues their report.

30 July: Finance Minister Collins issues a Fiscal Update in the legislature predicting 3.8 percent economic growth.

29 August: Premier replaces MLA Val Roddick as chair of the core review committee.

4 September: Finance Minister advises media that his growth forecast was “down a full point, perhaps more”, but tells Opposition Leader Joy McPhail in the legislature that “last year [under the NDP] our economy grew by 3.8 percent. I think we can manage that.”

11 September: Terrorist attack on New York and elsewhere in America.

18 September: Finance Minister provides “message to ministries”: “Global economy is slowing...bring deficit down and get spending under control.”

3 October: Open Cabinet in Penticton. Finance Minister advises that all ministerial budgets excluding Health, Education, and Advanced Education will be cut an average of 35 percent.

18 January 2002: Deputy Minister’s Council discussion of “270 day plan”.

12 February: Throne Speech confirmation of 25 percent cut to all ministries excluding Health, Education, and Advanced Education.

19 February: Budget Speech confirms \$4.4 billion deficit and 0.6 percent economic growth; introduces sales tax and Medical Services Plan premium increases.

17 May: Premier advises ministries of need to conclude program reviews or face newly-created External Panel.

27 June: Child, Youth and Family Advocate Paul Pallan releases his final report entitled *Rethink the Reductions: Children and Youth Need More*.

12 February 2003: Premier's televised "Heartlands" address emphasizing transportation infrastructure in the Interior and rural BC.

4 June: Premier announces \$122 million infusion into the Ministry of Children and Family Development budget.

23 July: Premier announces that Coquihalla concession will not be privatized.

10 and 17 February 2004: Throne and Budget speeches extoll the "Spirit of 2010" Olympics themes and balanced budget.

24 February: Auditor-General Wayne Strelloff releases report on Ministry of Human Resources disability review.

8 and 15 February 2005: Throne and Budget speeches extoll "Five Great Goals for a Golden Decade".

May 2005: Provincial general election sees re-election of BC Liberal government with a reduced majority.

October 2005: A storm of controversy arises from report on the death of Sherry Charlie and exposure of failure on child death reviews, leading to appointment of Ted Hughes to lead review.

7 April 2006: Ted Hughes reports out with scathing criticisms of the impact of 2001 budget cuts and difficulty of completing service delivery reforms within that environment.

CHAPTER 1

INTRODUCTION TO THE BC LIBERAL NEW ERA

“This is the story of how we begin to remember” -- Paul Simon¹

The BC Liberal New Era began with high hopes and a massive majority. Gordon Campbell’s Liberals were widely expected to win the provincial election of 17 May 2001 but the scale of the victory – 77 of 79 seats – was unprecedented in British Columbia. High hopes were fostered by the Party’s electoral manifesto which promised a “New Era of vision, imagination, hope and prosperity” and a “New Era full of promise and potential for you and your family.”² Campbell sought nothing less than the immodest goal of “remaking government.”³ The basket of initiatives he unleashed in the wake of the election was also largely unprecedented, for the province but not for the world.

Campbell and his government drew policy inspiration from many sources, national and international; the ideas and experiences that propelled the Campbell “revolution” wind like strands of DNA across both time and space, then find expression in the *New Era* document’s thematic content as well as in post-election processes.⁴ My dissertation examines the period between the election of 2001 and the throne speech of 2005. The latter featured “Five Great

¹ Paul Simon, from “Under African Skies” on *Graceland*, 1986.

² BC Liberal Party, *A New Era for British Columbia* [hereafter *New Era*], published by the BC Liberal Party, 2001, 2, 3. For purposes of clarity, *New Era* when italicized refers to the *New Era* document; when not italicized, *New Era* refers to the period 2001 to 2005.

³ The phrase “remaking government” is drawn from a Campbell interview cited in Vaughn Palmer, *National Post* on-line, 17 November 2001. The notion of remaking, rethinking, and reinventing government and governance is persistent in New Public Management literature. See for example Alford, J. and J. O’Flynn, *Rethinking Public Service: Managing with external providers* (Basingstoke, UK: Palgrave Macmillan, 2012) and Bell, S. and A. Hindor, *Rethinking Governance: The Centrality of the state in modern society* (Cambridge: Cambridge University Press, 2009).

⁴ MLA Val Roddick (Delta South), chair of the Core Review Committee until she was replaced by Campbell, believed her process would “bring a change in the way government delivers that is no less than revolutionary.” *Debates of the Legislature* (hereafter *Debates*), 26 July 2001, 1435.

Goals for a Golden Decade,” a profound shift away from New Era retrenchment and a prelude to the pending provincial election.

The *New Era* document was a compendium of over 200 electoral platform commitments across a broad range of policy areas, many involving substantial operational and capital expenditures.⁵ Premier Campbell took those platform commitments seriously. The first task of all ministries was identifying responsibility for fulfilling those commitments. The document was framed and mounted on the wall of the cabinet room, immediately adjacent to the Premier’s chair. Ministers and deputies were regularly and pointedly reminded of their progress, or the lack of it, on their New Era scorecards.

At the quantitative level, the relationship between platform and policy agenda was powerful and direct; Campbell regularly pointed to progress on or completion of a high percentage of *New Era* promises.⁶ At the qualitative level, the New Era experience was a stark departure from the optimistic vision cast in the *New Era* document; the uniformly cheery character of the latter offered no warning of the harsh retrenchment pending in the former. Failure to fulfill *New Era* commitments was not an option, but success confronted multiple barriers. Campbell very promptly erected the first of those barriers the day after being sworn into office: a “dramatic” personal tax cut of twenty-five percent.

⁵ *New Era*, 21, 25. The estimated cost of the commitments was \$2 billion. 5,000 intermediate and long-term units alone could consume a substantial portion of that amount.

⁶ See for example BC Government, *Annual Report 2001-02: A New Era Update* on-line, www.bcbudget.gov.bc.ca/Annual_Reports/2001_2002/bcgovAR.pdf

The tax cut was anticipated, but its timing and magnitude surprised some observers.⁷ The *New Era* document repeated the promise of a “dramatic tax cut” at least ten times.⁸ However, unlike the BC Liberal 1996 platform, *The Courage to Change*, which pledged a two-stage fifteen percent tax cut,⁹ “dramatic” was never defined during the 2001 campaign. “It would be irresponsible for me to suggest what the tax cut will be,” Campbell stated, “until I know what the state of the books are [sic].”¹⁰

Campbell quickly formed conclusions about “the books”. The first act of the new government -- or more precisely of its Premier and Finance Minister – was to define “dramatic” as a twenty-five percent cut, a revelation that came less than 24 hours after inauguration. In defining “dramatic”, they may also have deliberately or inadvertently defined the public face of the BC Liberal government for years to come. Although the tax cut was undoubtedly popular among many British Columbians, few fully understood the fiscal repercussions that would follow. Some may have believed the claim, prominent in the *New Era* document and tirelessly repeated on the campaign trail, that provinces “like Ontario have proven that lower personal income tax rates lead to *higher* revenue – not less [emphasis in original].”¹¹ That belief was quickly and sorely tested as world economic conditions and events extinguished any prospect of a magical made-in-BC turnaround.

The new government faced a self-induced dilemma; it was boxed in by commitments to deliver over \$2 billion in tax cuts, to balance the budget in 2004, and (as promised in the *New*

⁷ Among them were most newspaper columnists and, more surprisingly, Martyn Brown, Campbell’s chief-of-staff, who retrospectively described himself as “quite astounded” by the magnitude and range of the cut. Doug Ward, *The Tyee*, “BC Liberals’ 12 Years of Tax Shifts, Explained,” 6 May 2013, 2. Further detailed in Chapter 3.

⁸ *New Era*, 2, 4, 5, 10, 11, 15, and 33.

⁹ *The Courage to Change*, page 4 of preface, and with reference to “two stage”, see Norman Ruff, “An Ambivalent Electorate: A Review of the British Columbia General Election of 1996,” *BC Studies*, No.110 (Summer 1996): 14.

¹⁰ Will McMartin, “Remember the NDP’s Supposed \$5 Billion ‘Structural Deficit’”, *The Tyee* online, 14 May 2005.

¹¹ *New Era*, 5, which also features a graph of Ontario tax cuts and revenue growth.

Era platform) to exempt Health, Education, and Advanced Education from budget cuts. Those three ministries comprised some 70 percent of the overall provincial budget leaving billions in savings to be found in the balance of government.¹² The failure of tax cuts to “pay for themselves”, at least in a timely way, set in motion demands for dramatic ministerial budget reductions. BC’s \$4.4 billion fiscal hole would be filled by cuts to the 30 percent of government that was not Health, Education, or Advanced Education.

The BC Liberal New Era Story in Brief

Premier Campbell and Finance Minister Gary Collins genuinely believed in the efficacy of tax cuts. That belief was fostered by the apparent success of tax cuts elsewhere, particularly Ontario where tax cuts in the late 1990s coincided with a period of very strong economic growth averaging 4.7 percent per year. In stark contrast, BC’s 2001 tax cuts were introduced into an economic environment that featured steeply declining energy and commodity revenues and negligible growth,¹³ improving only marginally in the next two years. The magnitude and timing of BC’s tax cuts, given that precarious environment, offered a compelling, real-world example of what Christopher Pollitt terms “prescription before diagnosis.”¹⁴

Was the introduction of a dramatic tax cut into a recessionary environment intended to produce a “burning platform”, a self-induced crisis aimed at driving smaller government?

¹² The \$4.4 billion deficit was comprised of the 25 percent personal tax (estimated at \$1.2 billion), reductions in corporate and machinery and equipment taxes (estimated at \$800 million), plus market-based declining revenues on energy and commodities. Further detail is offered in Chapter 4.

¹³ Growth was 0.6 percent in real GDP and -0.3 percent in GDP per capita. Michael Butler, *A brief examination of the British Columbia government’s spending and revenue record*, 18 April 2017, 17. The document was prepared for the Ministry of Finance and incorporates material released with the 2017 provincial budget on 21 February 2017.

¹⁴ Christopher Pollitt, *What Do We Know About Public Management Reform? Concepts, Models, and Some Approximate Guidelines*, A paper presented at the “Towards a Comprehensive Reform of Public Governance” conference, 28-30 January 2013, Lisbon, 5.

Chapter 4 offers evidence and argument supporting that suggestion, but also concludes that the “burning platform” became a greater conflagration than Campbell and Collins anticipated.

Resource ministries like Forests and Agriculture were hit hard but could not fill the \$4.4 billion budget hole. The New Era thus offers a second and stark example of prescription before diagnosis: the belief that social ministries could manage deep budget and staffing cuts without serious impacts to the disadvantaged and vulnerable British Columbians they served.

Pollitt and Bouckaert suggest that in public policy “different kinds of objectives will sometimes trade off against each other.... [D]ecision-makers are obliged to decide what they think is most important – they can seldom hope to have everything at the same time.”¹⁵ Cover to cover, the *New Era* document was a promise to British Columbians “to have everything at the same time.” Confronted by the reality of tax cuts that failed to pay for themselves, the social agenda articulated in the *New Era* platform gave way to its economic agenda. In the social policy realm, the New Era reality was sharply at odds with the *New Era* vision.

As ministries struggled to meet daunting budget targets they encountered another powerful example of attempting to have “everything at the same time”: a process barrage – core review, deregulation, fulfillment of *New Era* commitments, regionalization and/or devolution of service delivery, and much more – that was largely drawn from other jurisdictions and, indirectly, from the tenets of New Public Management (a connection detailed in Chapter 3). Confronted by seemingly endless and intractable problems, ministries looked nationally and internationally for policy experience that might inform potential provincial solutions. Policy transfer produced mixed results, generating more than a few vital lessons to government. The

¹⁵ Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis* (Oxford: Oxford University Press, 2011), 2.

New Era story is one of miscalculation, frustration, and angst, but also one of perseverance, innovation, and – particularly among public servants – courage and professionalism in the face of remarkably daunting challenges.

Reflections on Life Inside Government

Rod Rhodes enjoyed the rare opportunity, as an academic, of spending time within the senior reaches of the British government. “Observation”, he argues, “is conspicuous for its absence in the political science armoury of research methods.” His book, *Everyday Life in the British Government*, seeks to relieve such absence.¹⁶ As a cabinet minister from 2001 to 2012, I also enjoyed a first-hand opportunity to observe and participate in public policy construction. Rhodes chose the role of participant-observer as a pro-active research method while I adopt the role retrospectively. I did not enter political life to write a dissertation on the subject. However, politics has always been an object of fascination for me personally and academically. I was fortunate to teach political science prior to my seventeen years in provincial politics, before returning to political science as a late-onset doctoral student.

The New Era was a difficult time to be a minister, particularly in a social ministry, and I personally welcome the opportunity to get a better and broader understanding of how the period unfolded. Although, as Rhodes rightly notes, the role of participant-observer involves a “rather uneasy combination of involvement and detachment,”¹⁷ it can also offer a unique perspective on

¹⁶ Rod Rhodes, *Everyday Life in the British Government* (Oxford: Oxford University Press, 2011). “Absence” may overstate the situation. Excellent participant-observer accounts can be found in Michael Barber, *An Instruction to Deliver: Tony Blair, Public Services and the Challenge of Achieving Targets* (London: Methuen, 2008) and Richard Crossman, *Richard Crossman: The Diaries of a Cabinet Minister* (London: Hamish, Hamilton and Jonathan Cape, 1975).

¹⁷ Rhodes, *Everyday Life*, 13.

the “black box” of governmental policy-making. Personal experience also comes with potential downsides, among them lingering emotional baggage and potential hindsight bias. My aim is to present the New Era story with intellectual honesty, supported by evidence and rigorous analysis, but I recognize that the lived experience of other participants was different than my own. Fortunately, personal experience and observation can be complemented by a range of methodologies and sources as detailed below.

I was struck by the similarity between Rhodes’ observations and those I gathered as a cabinet minister. For example, he notes that “most ministers had close relationships with their Permanent Secretary,” a benefit which I enjoyed with my deputy ministers throughout my tenure in government. Rhodes highlights the roots of such relationships in further observing that “distinctions between policy and management, politician and civil servant, are meaningless when confronted by the imperative to cope and survive.”¹⁸ The daily grind of tackling frequent and sometimes intractable problems bring politician and public servant together around a common cause: resolution of those problems in ways that meet the expectations of the Premier’s Office.

Coping and surviving through the New Era were no small feat. I served as Minister of Community, Aboriginal, and Women’s Services (MCAWS) through much of that period.¹⁹ MCAWS was a new and expansive ministry comprising all or portions of seven former NDP ministries; it was home for two ministers of state, 24 *New Era* commitments, and dozens of programs that excited detailed scrutiny in the core review process. The New Era demanded high

¹⁸ Ibid., 85, 163.

¹⁹ In a cabinet shuffle in late 2003, I moved to Sustainable Resource Management until the 2005 election. From 2005 to 2009, I was Minister of Health, happily at a time of surplus budgets and expansive agendas. After the 2009 election – and thrust once again into retrenchment after a four year “Golden Decade” – I was Minister of Aboriginal Relations and Reconciliation and finally Minister of Education before voluntarily leaving politics in 2013.

levels of candour, trust, respect, and collegiality between minister and deputy.²⁰ I was privileged to enjoy such a relationship.

David Cameron and Graham White also capture the minister-deputy minister relationship well: “a state of mutually dependent professional intimacy; neither can do his or her job properly without the other’s assistance and support.”²¹ Not all New Era ministers were willing or able to cultivate such relationships and that is likely true across all jurisdictions. As part of New Zealand’s package of 1980s reforms, the appointment of deputies by the prime minister was replaced by appointment of chief executive officers through a public service central agency. That shift does not appear to have altered ministerial relationships: “Some chief executives saw their main role as providing their minister with strategic ‘free and frank’ advice and being in a ‘partner’ role, others saw a change in their role toward an executive-type ‘do as you are told’ understanding....”²² Ministerial character and style, rather than title and mode of appointment, appear to be the prime determinants of these relationships.

My experience across seventeen years as an MLA and twelve as a cabinet minister leads me to conclude with Thea Vakil: “BC’s senior public servants hold strong traditional Westminster-based values concerning public servants’ commitment to serve the public good, be respectful to the government of the day, behave responsibly and be willing to be held accountable and above all, take pride in public service integrity.”²³ But in these respects, the BC

²⁰ Deputies across government worked long and often stressful hours in the early years of the New Era. MCAWS (and I) enjoyed an excellent deputy in Bob de Faye.

²¹ David R. Cameron and Graham White, *Cycling into Saigon: The Conservative Transition in Ontario* (Vancouver: UBC Press, 2000), 45.

²² Martin Lodge and Derek Gill, “Toward a New Era of Administrative Reform? The Myth of Post-NPM in New Zealand”, *Governance: An International Journal of Policy, Administration, and Institutions*, Vol. 24, No. 1 (January 2011): 156.

²³ Thea Vakil, “Changing Public Service Values: Limits of Fundamental Reform and Rhetoric”, (Doctoral Dissertation, University of Victoria, 2009), iii.

Liberal New Era proved to be an extraordinarily challenging period for public servants. Despite the host of pressures recounted below, public servants transformed – sometimes with, sometimes without supportive ministers -- a complex and sometimes contradictory political agenda into coherent public policy. “They [public servants] may live in the era of new public management,” Rhodes writes, “but long-established patterns of behaviour exist.”²⁴ Similarly Evert Lindquist et al. note, “The BC Public Service [post-New Era] may be directed, lean, and constrained, but it is not politicized and, in our view, remains competent, professional, and merit-driven.”²⁵

Interviews with former public servants and cabinet ministers were among the methods employed in this project. All interviews were conducted on the basis of strict anonymity; direct quotes are utilized but never attributed to source. Ministerial quotes drawn from the historical record are frequently used and most are drawn from Estimates debates in the Legislature. In contrast to Question Period, Estimates offers a less adversarial and more detailed account of what ministries are attempting to achieve and through what means. Prodded by Opposition or private member questions, ministers provide an account of their responsibilities and headaches – usually carefully, but occasionally candidly.

Governments dispatch almost continuous signals of what, at a given moment in time, is on the governmental agenda and documents from the period are frequently employed to help tell the story. Mandate letters from the premier to incoming ministers are one of the first indicators of the governmental agenda and the processes envisioned to achieve it. Ministers serve at the premier’s pleasure and the latter’s dominance of the agenda is most complete in the days

²⁴ Rhodes, *Everyday Life*, 129.

²⁵ Evert Lindquist et al., “Government Restructuring and the BC Public Service: Turmoil, Innovation, and Continuity in the 2000s”, in *British Columbia Politics and Government*, Michael Howlett et al., eds. (Toronto: Edmond Montgomery, 2010), 239.

immediately following cabinet formation. Viewed collectively, mandate letters reflect the premier's vision, goals, and priorities – and how each minister will help to achieve them.

Throne and budget speeches are also critical documents that set out in a deliberate and structured way what government considers or acknowledges to be core challenges. The speeches also set out, typically at a high level of abstraction, suggestions of how government intends to meet those challenges. Words are carefully chosen to convey precisely what government wishes to convey; subtle nuance, and even calculated ambivalence, may also be employed to mask awkward compromises among leaders or factions. Cabinet minutes from the first months of the New Era were protected for 15 years but are now available (via freedom-of-information laws) on the internet.

Press releases are another way for governments to signal both immediate priorities and shifts in direction, despite their frequently self-laudatory content. Briefing and communications notes provided as “Advice to the Minister” (and therefore beyond the reach of freedom-of-information applications for 15 years) are typically frank and constructive, as are reports generated by BC's auditors-general and other independent officers of the Legislature.

Among non-governmental documents, party platforms from the 1996 and 2001 elections are essential in understanding the BC Liberal New Era. Senior public servants carefully assessed the *New Era* document as they prepared for transition, and fortunately so. Fulfillment of *New Era* commitments was a critical measure of success for every minister and deputy. Publications and articles from non-governmental organizations such as the Fraser Institute appeared to influence governmental policy intermittently.²⁶ Conversely, papers from the Canadian Centre

²⁶ For example, Owen Lippert, “Change and Choice: A Policy Standard for British Columbia,” (The Fraser Institute, 1996).

for Policy Alternatives offered pithy and critical analyses of BC Liberal policies.²⁷ As well, media stories and columns from the period provide colourful and often insightful comments and analyses. The legislature's press gallery frequently exposed the inevitable shortcomings and unintended consequences of public policy initiatives.

My exploration of the New Era is also assisted by a tremendous body of literature around politics, political agendas, public management, and public policy development. An emerging body of literature on BC politics and government focuses on the decade of Gordon Campbell's premiership.²⁸ This dissertation aims to enrich that pool. This dissertation does not offer a formal literature review. Instead relevant literature and the important learnings provided within them are cited and referenced.

British Columbia is often described as "a small, open trading economy;" it is similarly a small and open trading jurisdiction in the world of public policy. Governments and ministries often face a long list of policy challenges and, as was often the case in the New Era, short time frames to find or develop solutions. Other jurisdictions may have faced similar challenges and their answers can sometimes inform responses (via lesson drawing and policy transfer²⁹) in the

²⁷ For example, see Chapter 7 and documents like CCPA, Seth Klein and Andrea Long, "*A Bad Time to be Poor: An Analysis of British Columbia's New Welfare Policies*" on-line, June 2003; and Bruce Wallace, Seth Klein, Marge Reitsma-Street, BC office of Canadian Centre for Policy Alternatives, *Denied Assistance: Closing the Front Door on Welfare in BC* on-line, 27 March 2006.

²⁸ For example, Michael Howlett et al., *British Columbia Politics and Government* (Toronto: Edmond Montgomery, 2010); J.R. Lacharite and Tracy Summerville, eds., *The Campbell Revolution: Power, Politics, and Policies in British Columbia* (Montreal: McGill-Queens University Press, 2017); Rob Shaw and Richard Zussman, *A Matter of Confidence: The Inside Story of the Political Battle for BC* (Victoria: Heritage House, 2018). *BC Studies* has published articles on the Campbell decade in government, such as Richard C. McCandless, "Rate Suppression and Debt Transformation: The Political Use of BC Hydro, 2008-2014," No.191 (Autumn 2016): 9-33; and George Abbott, "The Precarious Politics of Shifting Direction: The Introduction of the Harmonized Sales Tax in British Columbia and Ontario," *BC Studies*, #186 (Summer 2015): 125-148.

²⁹ Jurisdictions may learn (and draw lessons from those learnings) and in some cases adopt (through policy transfer) elements of policy from the originating jurisdiction. There is an extensive body of literature on policy transfer including (and subsequently cited) including Mark Evans, "Policy transfer in critical perspective," *Policy Studies*, Vol. 30, No. 3, (June 2009); Jonathan Boston et al., *Public Management: The New Zealand Model* (Oxford: Oxford University Press, 1996); Richard Rose, "What is Lesson-Drawing," *Journal of Public Policy* II (1991); David

recipient jurisdiction. The case studies of social ministries presented later in this dissertation illustrate the use of policy transfer – sometimes successfully, sometimes not -- in the New Era. Context and compatibility of political cultures are among the key determinants of success or failure.

Policy inspiration is derived from both endogenous (domestic to BC) and exogenous (external to BC) sources. Prominent among such sources was New Public Management (NPM) – or local variants of it – which appeared to be influential in the construction of both the *New Era* document and New Era change processes. NPM fostered many characteristic New Era ideas, approaches, and goals: smaller government, tax cuts, deregulation, private sector-style management, competitive outsourcing, and more.³⁰

As Sabatier notes, the complexity of the policy process demands that “the analyst *must* find some way of simplifying the situation in order to have any chance of understanding it.”³¹ Models, analytical frameworks, and theories help us identify patterns that might otherwise appear messy, chaotic, or random. However, no single theory of policy transformation can account for the many, varied, and continuous changes in policy areas across government. As Mucciaroni argues, “Because political reality is complex and heterogeneous, the more of it one tries to explain by using a single abstract model, the less of it one is actually able to explain.”³²

Dolowitz and David Marsh, “Learning from Abroad: The Role of Policy Transfer in Contemporary Policy-Making,” *Governance: An International Journal of Policy and Administration*, Vol. 13, No.1, (January 2000).

³⁰ NPM literature is expansive but among the sources used here are Christopher Pollitt and Hilkka Summa, “Trajectories of Reform: Public Management Change in Four Countries,” *Public Management and Money*, (January-March 1997); John Alford and Owen Hughes, “Public Value Pragmatism as the Next Phase of Public Management,” *The American Review of Public Administration* 38, No. 2 (June 2008); Janine O’Flynn, “From New Public Management to Public Value: Paradigmatic Change and Managerial Implications”, *The Australian Journal of Public Administration*, Vol. 66, No. 3; Patrick Dunleavy et al, “New Public Management is Dead – Long Live Digital-Era Governance,” *Journal of Public Administration Research and Theory* (September 2005):

³¹ Paul Sabatier and Christopher Weible, *Theories of the Policy Process*, Second Edition (Westview Press, 2007), 4.

³² Gary Mucciaroni, “The Garbage Can Model and the Study of Policy Making: A Critique” *Polity* 24, No.3 (Spring 1992): 463.

Understanding complex events may of necessity engage a range of theoretical approaches. My dissertation will utilize multiple theoretical frameworks but with particular emphasis on historical (or neo-) institutionalism. Unlike the narrowly focused formal institutionalism of earlier decades, historical institutionalism does not deny “the broad political forces that animate various theories of politics: class structure in Marxism, group dynamics in pluralism. Instead they point to the ways that institutions structure these battles and in so doing influence their outcomes.”³³ In short, institutions matter, along with the legacies of past decisions, but so do ideas, political and bureaucratic actors, political cultures, and economic and social conditions.

Policy-making cannot be divorced from the political and governmental structure in which decisions are made. Within Westminster-style parliamentary systems, premiers (just like prime ministers) occupy positions of great power. Premiers arrive with agendas and use their many levers of power to impose their will. The extensive literature in this area suggests centralization of power is increasingly the norm across parliamentary institutions, whether in Victoria, Ottawa, or Westminster.

My experience suggests that policy-making is not only complex and multidimensional, but also sometimes “messy” and unpredictable. Cohen, March, and Olsen aptly describe congressional policy-making as a “complex intermeshing of elements”³⁴ and that is certainly true in parliamentary settings as well. Policy may reflect – among other things -- its institutional origins, its political motivation, the role and character of political and bureaucratic actors, and

³³ Sven Steinmo, Kathleen Thelen, and Frank Longstreth, *Structuring Politics: Historical Institutionalism in Comparative Analysis* (Cambridge: Cambridge University Press, 1992), 3.

³⁴ Michael D. Cohen, James G. March, and Johan P. Olsen, “A Garbage Can Model of Organizational Choice,” *Administrative Science Quarterly*, Vol. 17 No. 1 (March 1972): 16.

the context within which it emerges. The relative influence of each element -- institutional, ideational, individual, and contextual – will vary across time and space.

The New Era offers a remarkable story of power and control. Gordon Campbell set the direction for his government within hours of its inauguration with his announcement of a 25 percent tax cut. He followed up with mandate letters to cabinet ministers laying out his ambitious reform agenda and ministerial roles in achieving it. His agenda was provided for information, not for discussion. Cabinet ministers were effectively boxed in to that agenda, a fact of life that was less-than-subtly reinforced by a 20 percent hold-back on ministerial stipends (discussed in Chapter 4). Campbell contemplated nothing less than a remaking of government, aided by process tools drawn from New Public Management. His remaking was notable both for the breadth and speed of reforms. He attempted, as noted above, to have everything at the same time: deliver *New Era* promises despite budget cuts, reform service delivery amid severe staff cuts, and much more, as detailed in Chapter 5.

A host of vital and interrelated questions arise from the New Era experience. Was there a coherent and consistent ideological framework supporting the Campbell vision? Did the rapidity, intensity, and complexity of the reform agenda move some NPM processes from mutually supportive to mutually contradictory, hence undermining prospects for success? And did the scope and intensity of change undermine the quality and sustainability of provincial public services?

My dissertation provides three case studies aimed at answering such questions. The case studies look at how three large and socially sensitive ministries – Children and Family Development (MCFD), Human Resources (MHR), and MCAWS – responded to the welter of demands they faced. Other ministries faced pressures, some of a comparable character, and

where appropriate their experiences will be drawn into the dissertation narrative. However, the MCAWS, MCFD, and MHR stories are particularly important because each had a compelling (and potentially contradictory) mission set out in the *New Era* document, each struggled to fulfill that mission within the budgetary parameters provided, and each faced demands for reorganization of service delivery along NPM lines within a highly charged environment. Although the ministries varied in size, scope, and range of responsibilities, all had complex, challenging mandates tinged with ambiguity and uncertainty. All attempted to utilize and sometimes adapt NPM tools to achieve those mandates and all were severely challenged by the confluence of change processes in the New Era.

As demonstrated in the pages ahead, a defining feature of the New Era was the frequency and intensity of change processes initiated by the Campbell government such as core review, deregulation, budget and staff reductions triggered by tax cuts, and reorganization of service delivery. My dissertation concludes with lessons learned from the New Era experience, of which there are more than a few to be gathered and visited for a final time. Like Robbie Robertson in *Somewhere Down The Crazy River*, “this is sure stirring up some ghosts for me.”³⁵

³⁵ *Somewhere Down The Crazy River* was written and performed by Robbie Robertson and released in 1987. The title captures a sense of the frenetic, sometimes bewildering, pace of the New Era.

CHAPTER 2

THE NEW ERA NARRATIVE: POLITICAL ROOTS AND BRANCHES

“Everyone you know’s been through it, You bite the bullet then you chew it”—Roy Orbison¹

Gordon Campbell and his BC Liberals captured over 57 percent of the popular vote in the 2001 election, a remarkable victory even before the first-past-the-post system translated that result into 77 of 79 seats in the legislature. The strategy and tactics employed by Campbell to generate his massive victory in the 2001 campaign had their roots in his crushing defeat in the 1996 election. In the 1996 contest, despite winning the largest share of the popular vote, BC Liberals fell several seats short of the incumbent New Democrats.² The populist Reform BC won less than ten percent of popular vote in 1996 but that proved to be the decisive margin between victory and defeat for the BC Liberals.

Campbell was determined not to see history repeat itself in 2001. His campaign was largely predictable, particularly given his 1996 experience: maximize the breadth of voter appeal, minimize the NDP’s faint hopes of resurgence, and avoid leakage of support on his party’s right flank. The dominant lines of the 2001 campaign were well-evident in the *New Era* platform and all were calculated to advance pragmatic coalition-building and shed the vulnerabilities exposed in the 1996 campaign. In short, foster public confidence in BC Liberals as the safe choice and the ideal antidote to a “decade of decline” under the NDP.

¹ Roy Orbison, “The Only One”, from *You Got It*, 1989.

² The NDP won 39 seats with 39.4 percent of the popular vote, the BC Liberals 33 seats with 41.8 percent of the vote. Reform BC won 2 seats with 9 percent of the vote.

Setting the Stage: The *New Era* Narrative

Part of the challenge facing public servants (and indeed some BC Liberal ministers) as they reviewed their designated commitments contained in the *New Era* plan was reconciling the apparently contradictory visions offered by the document. The plan promised to “minimize undue government intervention in people’s lives” but, taken as a whole, certainly did not offer a coherent or credible prescription for smaller government.

The document was larded with over 200 often expansive and expensive commitments – among them more computers in schools, “incentives to make computers and Internet access more affordable for all families,” more funding for arts and athletics, doubling the First Citizen’s Fund, increased research grants to post-secondary institutions, and construction of 5,000 new intermediate and long-term care beds -- reflecting a reformist liberal rather than a neo-liberal zeal.³ Viewed from this perspective, Jean Chretien’s reformist liberal *Red Book* seems as powerful an exemplar as Mike Harris’s neo-liberal *The Common Sense Revolution*. Unlike the *Red Book*, however, the *New Era* document did not offer even tentative costing for the approximately two billion dollars in promises contained within it.

The mismatch of Reform-style “minimize government interference” with \$2 billion in new spending commitments reflected a strategic “hedging of bets” (or calculated ambivalence) by a BC Liberal Party still stinging from the unexpected re-election of the NDP in 1996. Unlike the “hard edged” 1996 platform document,⁴ the *New Era* document aimed to be all things to all

³ *New Era*, 11, 22-27. A neo-liberal in my definition is an advocate of smaller government, free markets, and less government intervention economically and socially. A reformist liberal in my definition embraces the notion of equality of opportunity through more extensive government intervention in the provision of public services.

⁴ “Hard edged” was the appropriate description applied by Norman Ruff to *The Courage to Change* platform in “An Ambivalent Electorate: A Review of the British Columbia General Election of 1996,” *BC Studies*, No. 110 (Summer 1996): 7.

voters; it aimed to reassure the skeptical voter while simultaneously reinforcing the narrative of the incumbent NDP government as wasteful, irresponsible free-spenders. The BC Liberals had ten long years as BC's Official Opposition to build this narrative, strategically expressed through their *New Era* platform.

Strategic narratives are common to all politicians and political parties, not just BC Liberals. In *Policy Paradox*, Deborah Stone analyzes the art of narrative construction, primarily within the American context, but the essential elements of political persuasion readily transfer across time and space, including British Columbia in the early twenty-first century. The *New Era* document made extensive use of what Stone calls the story of decline: "In the beginning, things were pretty good. But they got worse. In fact, right now, they are nearly intolerable. Something must be done."⁵

The *New Era* document contained close to thirty pages promising everything from higher paycheques to enhanced connectivity; interspersed were six pages that documented the story of decline with headlines like: "A Decade of Incompetence", "Health Care is in Trouble", "Where Has Your Money Gone?", and predictably "A Decade of Decline". Despite the NDP's purported doubling of debt, the *New Era* intoned, "Everywhere we look, the quality of services has gone down." Hospital wait-lists were growing, students lacked textbooks, and "children have suffered because front-line workers haven't had adequate resources to do their jobs. That is the human toll of the NDP's waste and mismanagement."

Fortunately, something could be done: "Don't let anyone tell you we can't improve critical government services. We will stop the NDP's legacy of waste and act quickly to better

⁵ Deborah Stone, *Policy Paradox: The Art of Political Decision Making* (New York: W.H. Norton, 2002), 138.

and more effectively manage your tax dollars.” A full page was devoted to the \$463 million wasted just on “fast ferries,” contrasted with the array of public services that amount of money could buy. Remediation of the NDP’s supposed economic and social damage would be achieved by a pain-free prescription of tax cuts, deregulation, effective and efficient service delivery, and elimination of \$2 billion in waste and duplication. The *New Era* document offered a relentlessly optimistic vision of BC’s future, interspersed with caustic criticism of the NDP.

Shoring up the Right Flank Brings Platform Content Shift

The style and content of the *New Era* document is closely linked to the evolution of the BC Liberal party in the 1990s. Norman Ruff describes the “hard policy edge” of the BC Liberal’s 1996 platform, *The Courage to Change*⁶; it strongly reflected the content and rhetorical flavour of Mike Harris’s *The Common Sense Revolution*, the provincial Progressive Conservative party’s platform in the 1995 Ontario election. Cameron and White describe Harris as “a conviction politician with clear, hard-edged policy commitments” including “‘hot-button’ issues such as welfare reform....”⁷ Ontario voters in 1995 would have expected a dose of harsh medicine from the “hard-edged” Harris, determined “to change the way government does business” despite “gut-wrenching changes both inside and outside government.”⁸

BC Liberals employed a comparable hard-edged style in *The Courage to Change*.

⁶ Norman Ruff, “An Ambivalent Electorate: A Review of the British Columbia General Election of 1996,” *BC Studies*, No. 110 (Summer 1996): 7.

⁷ David R. Cameron and Graham White, *Cycling into Saigon: The Conservative Transition in Ontario* (Vancouver: UBC Press, 2000), 58.

⁸ Harris speech, 27 June 1995, cited in Cameron and White, 183.

Some of the key similarities in style and content between *The Common Sense Revolution* and *The Courage to Change* are noted in Table 1.

Table 1: Comparative Party Platforms

<i>Common Sense Revolution</i>	“We will reduce the number of MPPs from 130 to 99”	“Require all able-bodied recipients either to work, or to be retrained in return for their benefits”	“This plan will cut your provincial income tax rate by 30%”	“This plan guarantees full funding for health care, law enforcement, and education”	“Sell off some assets, such as the LCBO and surplus government land, to the private sector”⁹
<i>Courage to Change</i>	“We will cut the number of MLAs from 75 to less than 60”	“Require all welfare recipients who are able to work to take training and work experience to receive their benefits”	“We will vote to cut provincial income taxes by 15 percent”	“Honestly balance the budget, without cutting health care or education”	“Sell those crown corporations and government agencies that are commercially viable”¹⁰

The hard-edged BC Liberal platform failed to produce the desired result. In the 1996 election, as Ruff notes, the BC Liberals “absorbed much of the old Social Credit vote,” but despite winning the largest share of the popular vote still fell six seats short of the New Democrats. BC Liberals widely believed that the 9.3 percent of the vote captured by Reform BC robbed them of electoral victory.¹¹ A split vote on the right flank was only part of the story. Campbell also got some painful schooling from NDP Premier Glen Clark on just how quickly political tides can be turned

⁹ Ontario Progressive Conservative Party, *The Common Sense Revolution*, 1995, 2, 8, 9, 17.

¹⁰ BC Liberal Party, *The Courage to Change*, 1996, v, 6, 9, 13. Both documents also promised to protect health and education from any budget cuts.

¹¹ Norman Ruff, “An Ambivalent Electorate: A Review of the British Columbia General Election of 1996,” *BC Studies*, No. 110 (Summer 1996): 7.

by shrewd exposure of party platform loose ends and unanswered questions.¹² Campbell was shaken by the loss and determined to minimize chances of recurrence.

Soon after the 1996 election, Campbell recruited Martyn Brown away from Reform BC, then MLA Richard Neufeld later in the term. Reform BC leader Jack Weisgerber declined to follow but did the next best thing by providing an unequivocal endorsement of Campbell, prominently featured in the *New Era* document: “If I could turn back the clock I would change the role that I played in the last election. I’m not going to make that mistake again. I’m going to do everything in my power to help...BC Liberals form the next government.”¹³ Campbell also took policy sustenance from Reform BC’s 1996 *Voters’ Warranty*, most significantly a commitment to a referendum on Aboriginal treaties.¹⁴ The *New Era* document also captured other Reform BC staples such as opposing gun control, legislating a fixed election date, and – most prominently – opposition to the sale of BC Rail.¹⁵

Two planks in the BC Liberal’s 1996 *The Courage to Change* platform sparked particular public blowback in northern and rural BC, areas of Reform BC’s greatest strength. The first was a pledge to “cut the number of MLAs from 75 to less than 60.”¹⁶ With predictable assistance from the NDP, critics argued that this pledge would directly punish the least populous areas of the province, most notably the North, giving voters one more reason to support rural-based Reform BC rather the Vancouver-centric BC Liberals. The second plank was to sell “those

¹² Two issues were particularly troublesome on the campaign trail: one was the threatened loss of the home owner grant and the second was what programs would be lost by the BC Liberal 15 percent tax cut. The author had the lowest winning percentage in BC in 1996 and heard those issues repeatedly.

¹³ *New Era*, 33. Weisgerber retired in 2001 from provincial politics; Brown became Campbell’s long-term chief-of-staff.

¹⁴ In *New Era* language the commitment became a referendum on “the principles that should guide BC’s approach to treaty negotiations.” *New Era*, 27.

¹⁵ See Ruff, “Ambivalent Electorate,” 17, and *British Columbia Report*, Vol. 7, No. 39, 27 May 1996, 8-11, and *Vancouver Sun* online, 2 May 1996, 1.

¹⁶ BC Liberal Party, *The Courage to Change*, 1996, 13. References to “smaller government” are on 1, 2, and 4-7.

crown corporations and government agencies that are commercially viable....” That promise was interpreted by critics as a plan to sell BC Rail to commercial interests having no accountability to the North, something which Reform BC explicitly opposed in their *Voters’ Warranty*.¹⁷

The BC Liberal 2001 platform aimed to minimize such vulnerabilities. The *New Era* document’s style and content reinforced the critical priority given to strategic absorption of Reform BC’s leadership and membership; it made no reference to fewer MLAs and specifically commits a BC Liberal government to “not sell or privatize BC Rail.”¹⁸

Support for personal tax cuts was consistent between 1996 and 2001 but with one key difference: *The Courage for Change* promised a 15 percent tax cut while the *New Era* pledged a “dramatic” tax cut, with quantum to be defined after a review of “the books.” Will McMartin suggests that this “dodge enabled Campbell to avoid repeating a key mistake from 1996. Then, the 15 percent income tax reduction was offset by an identical 15 percent decrease in government spending so as balance the budget, a tacit acknowledgement that tax cuts had a cost.” By 2001, he argues, the Campbell Liberals knew that linking tax cuts with reductions in government expenditures was “a losing electoral proposition,”¹⁹ hence the *New Era* document’s assertions that tax cuts would in fact pay for themselves.

One commitment that remained consistent from 1996 to 2001 was “protection of health and education funding.” The genesis of that commitment extends well beyond Harris’s Ontario. Chris Rudd observes that budget-slashing governments of 1980s and 1990s New Zealand “were keen to advertise their increased spending in the areas of health and education. This was viewed

¹⁷ Reform BC, *Voters’ Warranty*, 1996, cited in *British Columbia Report*, Vol. 7, No. 39, 27 May 1996, 8-11.

¹⁸ *New Era*, 9. The verbal gymnastics around reversal of the latter promise in 2003 are discussed in Chapter 5.

¹⁹ Will McMartin, “Fiscal Fictions,” in *Liberalized: The Tyee Report on British Columbia Under Gordon Campbell’s Liberals*, ed. David Beers (Vancouver: New Star Books, 2005): 138.

as productive investment whereas spending on [social services] benefits was unproductive.” He notes that the Labour Minister of Social Welfare in 1990 boasted of cutting benefits by \$800 million, “hardly something the ministers of Health or Education would wish to claim for their portfolios.”²⁰ The same would certainly hold true for British Columbia.

Was the *New Era* document an attempt to be all things to all people? “Hard-edged” would certainly not be used to describe it. The phrase “smaller government” is used at least seven times in *The Courage to Change* but is studiously avoided in the *New Era* document. This shift was tactical rather than principle-driven; renewed use of “smaller government” would have opened avenues of attack from the NDP that Campbell hoped to keep closed. Similarly, *New Era* commitments to “protect BC Hydro...under public ownership”, and “maintain the longstanding ban on bulk water exports” were designed to protect the populist right flank as well as to reassure the broader public.²¹

The document is defined as much by what is excluded – any reference to welfare reform or sale of Crown assets – as what is included: planks specifically tailored to draw support from federal and provincial Reform, plus two billion dollars of commitments in health, education, social services, and infrastructure. Neither the tone of the *New Era* document nor of the Campbell 2001 campaign (“I will not tear up contracts” and “we’re not planning massive layoffs in the civil service”) suggested that hard-edged leadership and severe retrenchment were to follow. Campbell himself may not have expected it. Reducing personal income tax rates had

²⁰ Chris Rudd, “Welfare Policy” in *New Zealand: Government and Politics*, third edition, ed. Raymond Miller (Oxford: Oxford University Press, 2003), 435.

²¹ *New Era*, 9 and 13.

produced higher tax revenues across Canada and “throughout the world.”²² Why would British Columbia be any different? Perhaps for several good reasons, as further discussed in Chapter 4.

BC Liberals Take Lessons from the Federal Realm

The early and remarkable success of Reform BC’s more prominent federal cousins was not lost on BC Liberals. The Reform Party of Canada’s (hereafter Reform) populist brand resonated well and generated early electoral success across much of British Columbia. The *New Era* document deliberately and extensively reflected federal Reform-style populism (as found, for example, in Reform’s *63 Reasons to Support the Reform Party of Canada*, produced in 1995). Some similarities at the core thematic level are noted in Table 2:

Table 2: Common Themes, Reform Party of Canada and BC Liberals

Reform Party of Canada	“Cut the size of government... eliminating unnecessary intrusions into the lives of individuals and businesses” ²³	“We support legislation that would compel the government to balance the budget”	“We believe that Canada would work best as a federation of equal provinces and equal citizens”	“We want freer votes and less party discipline in the House of Commons”
BC Liberal Party	“Liberating our economy and minimizing undue government intervention in people’s lives.” ²⁴	[We will] “pass <u>real</u> Balanced Budget legislation” ²⁵	“[We will] Stand up for the equality of all Canadians and all provinces”	“[We will] Introduce free votes in the Legislature to allow all MLAs to vote freely on behalf of their constituents....”

²² *New Era*, 5.

²³ Reform Party of Canada, *63 Reasons to Support the Reform Party of Canada*, 1995, 4.

²⁴ *New Era*, 11.

²⁵ *63 Reasons*, 3 and 4 and *New Era*, 4 and 8.

Similarities can also be found in a host of areas, among them recall and initiative legislation, debt and deficit elimination, and tax reduction.²⁶ One of the long-term staples in the *New Era* “90 day plan” was a fixed election date that had among its earlier proponents the Reform Party of Canada.²⁷ More immediate similarities can also be found with Reform’s federal successor, Canadian Alliance. Alliance was not only the most aggressive of federal contenders on tax cuts in the 2000 election, but also advocated elimination of business subsidies and a tougher stance on “fighting crime,” both of which found expression within the *New Era* document.

Campbell was careful not to take on some of the socially conservative elements in Reform/Alliance platforms. The BC Liberal caucus, both pre- and post-2001, contained disparate political views. As Vaughn Palmer noted: “The BC Liberals are a centre-right coalition of [federal] conservatives, liberals and supporters of other parties” prone to “deep disagreements between the centrists and some of the rightists on social issues, particularly abortion.”²⁸ During the latter years of the NDP government, Campbell Liberals had been embarrassed by free votes on same-sex marriage which exposed the social policy divide within their ranks.²⁹ Prior to the 2001 election, Campbell emphasized that one public policy not open to “free votes”, or a public referendum, was abortion.³⁰ He was pragmatic but typically progressive on social issues and always keen to avoid controversies that might expose his party’s social policy divisions.

²⁶ *63 Reasons*, 3 and 4, and *New Era*, 4, 6-7, 30 and 32.

²⁷ Jennifer Smith, “Populist Democracy versus Faux Populist Democracy,” in *Parliamentary Democracy in Crisis*, Russell and Sossin, eds. (Toronto: University of Toronto Press, 2009), 177.

²⁸ Vaughn Palmer, *National Post* on-line, 6 January 2001.

²⁹ See for example *Debates of the Legislative Assembly* (hereafter *Debates*), 15 July 1997, 5779.

³⁰ Vaughn Palmer, *National Post* on-line, 6 January 2001. Further, unlike Preston Manning, reference to “special interests” and their influence was not part of Campbell’s oratorical repertoire. For examples of Manning’s words see Steve Patten, “Preston Manning’s Populism: Constructing the Common Sense of the Common People,” *Studies in Political Economy* 50 (Summer 1996), 106-108.

Alberta Proves a Rich Source of Inspiration and Institutions

In his post-election program, Campbell drew lessons, first and foremost, from Alberta's experience with restructuring and downsizing government. Ralph Klein led his Alberta Progressive Conservative (PC) party to victory in June of 1993 and promptly announced his intention to curb the "uncontrolled spending" of his PC predecessor Don Getty.³¹ Alberta's Throne Speech stated that the "core of this strategy is tax and regulatory reform" including, in its first phase, a "deregulation action plan" in every department of government. Klein's austerity drive promised to "reorganize, deregulate, and streamline government" and to "balance our provincial budget within four years."³² No ministry was spared from the consequent budget cuts which ranged from 12 percent in Education to 47 percent in Municipal Affairs, an average of 17 percent across all departments.³³

Alberta's experience with austerity and restructuring was quickly put to use in BC's New Era. Jim Dinning, Alberta's Provincial Treasurer during their restructuring, and Rod Love, Klein's long-time advisor and chief-of-staff, were influential before and during the BC Liberal transition to power. Paul Taylor, Dinning's former deputy, assisted in transition and then assumed the post of BC's Deputy Minister of Finance in 2001. The Alberta experience shaped the Campbell government's processes and institutions, as well as its approach to change management. Some of Alberta's transfers are identified and described in the following section of this chapter, among them Government Caucus Committees (GCCs), the Public Affairs Bureau

³¹ Kevin Taft, *Shredding the Public Interest: Ralph Klein and 25 Years of One-Party Government*, (Edmonton: University of Alberta Press, 1997), 25.

³² Barry Cooper, *The Klein Achievement*, (Toronto: University of Toronto Press, 1996), 75-6.

³³ Taft, 28, and Cooper, 76-7.

(PAB), the BC Fiscal Review Panel, “lean and efficient” ministerial offices, and centralization of PAB and sundry processes within the Premier’s Office.

Within the BC Liberal DNA were at least a few strands from America, some via Alberta. For example, Barry Cooper points to Osborne and Gaebler’s *Reinventing Government* as a source of inspiration in Klein’s Alberta. Some themes and language from Osborne and Gaebler regarding service delivery reform also resonated in the BC Liberal New Era. Some key similarities in style and content between *Reinventing Government* and Gordon Campbell pronouncements are noted in Table 3:

Table 3: Comparison of *Reinventing Government* and Gordon Campbell Narrative

<i>Reinventing Government</i>	“Putting resources directly into the hands of the intended recipient of services so that they can make choices based on quality and price.”³⁴	“Entrepreneurial governments... measure outcomes and reward success.”	“Entrepreneurial governments...are leveraging private-sector actions to solve problems. They steer more than they row.”	“Entrepreneurial governments push control of many of the services out of the bureaucracy and into the community”
Gordon Campbell Narrative	Among the Premier’s “core values” was “Choice: to afford citizens the opportunity to exercise self-determination.”	Among the Premier’s stated principles: “Results oriented and client focused.”	“Collaborative partnerships within the public sector and the broader provincial community.”³⁵	“Greatly reduced direct delivery: local delivery, outsourcing, shared services, and private sector sponsorship” ³⁶

³⁴ David T. Osborne, “Reinventing Government”, *Leadership Abstracts* on-line, vol. 6, no. 1 (January 1993): 2.

³⁵ British Columbia, Office of the Premier, *2001/02 Annual Report: A New Era Update* on-line, 4.

³⁶ Premier’s Office, “Core Services Review: Themes & Issues,” 4 October 2001. Core review is discussed in detail in Chapter 5.

Campbell never used the phrase “entrepreneurial government” (at least to the author’s knowledge) but he was very much wed to “business-like government” and the potential of alternative (non-governmental) service delivery.

Another comparison is noteworthy. On the distinction between user fees and taxes Osborne and Gaebler ask: “What is fairer than a system in which those who benefit from a service and can afford to pay for it do so, while those who don’t benefit don’t have to pay?”³⁷ The application of such thought was well-evident in BC’s New Era with the decision in 2002 to meet unexpected costs with substantial hikes in medical services premiums and in the sales tax (from 7 to 7.5 percent), rather than any reconsideration of personal tax rates.

Further, Cooper states, the “logic of *Reinventing Government* also indicated that the goal of public policy is not simply to balance budgets but to restructure government using the budgetary process as leverage.”³⁸ The New Era relationship between tax cuts (and subsequent budget cuts) and the goal of smaller government (through core review) is further explored in chapters 4 and 5. The phrase “smaller government” may have been absent from the *New Era*, but it was certainly not forgotten.

Processes and Institutions that Helped Shape the New Era

In his drive to remake government, Gordon Campbell embraced ideas, beliefs, processes, and institutions that were embedded in other times and in other jurisdictions. The New Era produced a lexicon of words and phrases – some local, some exogenous -- to describe processes and

³⁷ Cited in Cooper, 72.

³⁸ Cooper, 73.

institutions in British Columbia. Some processes (like core review) and institutions (like independent legislative officers) are introduced and described within the context of unfolding events elsewhere in this dissertation. Others (as listed and discussed below) helped shape the New Era but are not fully described within that historical narrative.

Ministers of State

On 5 June 2001, Premier Campbell introduced a cabinet of twenty-eight, the largest in BC history, including seven ministers of state, a novelty in British Columbia but not in Canada.³⁹ Community, Aboriginal and Women's Services (MCAWS) and Health were each home to two ministers of state, with one each in Children and Family Development (MCFD), Competition, Science and Enterprise (MCSE), and the Premier's Office (Intergovernmental Relations).⁴⁰ Peter Aucoin describes ministries of state as "horizontal policy ministries," meaning "portfolios with mandates for developing policy for designated subjects that fall within the scope of several portfolios but without being given any authority to intervene in the administration of these operations."⁴¹ In BC's case, five of the seven ministers of state readily match Aucoin's description; the ministers of state for intergovernmental relations and for deregulation had pan-governmental mandates but no greater authority than their peers.

Aucoin's description is consistent with the theory underpinning ministers of state set out in Campbell's mandate letters: "Consideration has been given to the depth and breadth to which any Minister can reasonably be expected to have adequate command over a very diverse range of

³⁹ Provision in statute for ministers of state had existed in Canada since at least 1985. 2001 saw the first in BC.

⁴⁰ In MCAWS, Minister of State for Community Charter and Minister of State for Women's Equality; in Health, Minister of State for Mental Health and Minister of State for Intermediate, Long Term and Home Care; in the Ministry of Competition, Science and Enterprise a Minister of State for Deregulation; in MCFD, a Minister of State for Early Childhood Development; in the Premier's Office, a Minister of State for Intergovernmental Relations.

⁴¹ Peter Aucoin, "The design of public organizations for the 21st century: why bureaucracy will survive in public management," *Canadian Public Administration*, vol. 40, no. 2 (Summer), 300.

programs, policies and issues....[T]he nature of high profile, project specific assignments warrant this designation.”⁴²

The Premier also set out ground rules for ministers of state in a letter of 25 June 2001. Again, consistent with the goal of “lean and efficient government,” ministers of state would “be supported by caucus staff, but ...not [with] independent staff within the bureaucracy assigned exclusively to them.”⁴³ In short, ministers of state would not have their own deputy but would have access to their minister’s deputy and ADMs (an opportunity which some fully exploited). Aucoin offers a valuable insight on ministers of state: “Beyond perhaps the initial burst of cabinet support that greets each new portfolio, a mandate to coordinate the work of other portfolios does not carry a great deal of weight unless cabinet heavyweights, including the prime minister, have agreed that the subject constitutes a corporate priority.”⁴⁴ As noted in Chapter 5, Premier Campbell was never reluctant to put his personal stamp on the deregulation initiative.

Government Caucus Committees (GCCs)

Campbell described GCCs as “an important part of the cabinet decision-making process...not a legislative decision-making process.” While new to BC, “It is very similar to the model that is used in the province of Alberta.”⁴⁵ Largely populated by and chaired by backbench MLAs, GCCs in concept operated as a pre-screen for ministerial initiatives that had not yet secured cabinet endorsement. Campbell described decision-making this way: “policy initiatives are brought to the ministers’ offices. They may decide it’s time to bring forward those issues to Agenda and Priorities [a powerful cabinet committee chaired by the premier]. They come

⁴² Campbell to Abbott, 3.

⁴³ Gordon Campbell to all ministers and ministers of state, 25 June 2001, 1. Ministers within the NDP government enjoyed more expansive staffing, most notably an executive assistant in constituency as well as in Victoria.

⁴⁴ Aucoin, “The design,” 301.

⁴⁵ *Debates*, 22 August 2001, 754.

through the government caucus committees. The Chairs report to the cabinet. The cabinet makes decisions after robust conversations about the direction we would like to go....”⁴⁶ GCC meetings were closed to the media and the public. The New Era featured five GCCs around theme areas including communities and safety, economy, government operations, health, and natural resources. GCCs were reduced to two after 2005.

The BC Fiscal Review Panel

The Panel was appointed by the Premier-elect on 25 May 2001 and was comprised of seven members from the BC business community including four accountants. The Panel was chaired by Gordon Barefoot, a chartered accountant who had served on a similar review in Alberta launched by Ralph Klein in 1993.⁴⁷ Norman Spector suggested the panel and business predominance on it was yet another import from the Klein Alberta playbook.⁴⁸ In Will McMartin’s view, “Campbell’s appointment of the panel followed an old political tradition in British Columbia, whereby newly elected governments attempt to discredit their defeated predecessors for alleged fiscal incompetence and misconduct.”⁴⁹ Notwithstanding the *New Era* commitment to a “comprehensive audit of the Province’s finances,” the Panel notes at the outset its report “is not an audit” but rather a review based on information “from the professional public service and the public.”

The Panel “found the current accounting policies, financial reporting and capital planning processes of the province substantially sound,” although the outgoing NDP government’s \$1.1 billion surplus was built on “a legitimate but one-time gain of \$1.4 billion due to the change of

⁴⁶ *Debates*, 23 August 2001, 760.

⁴⁷ Will McMartin, “Conjuring a \$5 Billion ‘NDP’ Deficit,” in *Liberalized*, 127.

⁴⁸ Norman Spector, *Victoria Times-Colonist* on-line, 8 June 2001.

⁴⁹ Will McMartin, “Conjuring a \$5 Billion ‘NDP’ Deficit,” in *Liberalized*, 124. He cites the NDP’s engagement of Peat Marwick in 1991 and Social Credit’s engagement of Clarkson Gordon in 1975 as examples.

public sector pension plans to a joint trusteeship basis.” This accounting surplus, in combination with “windfall gains due to high and volatile energy prices that are unlikely to be maintained over the next few years,” signalled pending deficits. With expenditures pegged to rise between 6 and 7.4 percent in the following years, their projection was pending deficits in the fiscal years 2001/02 and 2002/03 of \$3.0 and \$3.8 billion, before the tax cut.⁵⁰ “Unlike some other jurisdictions,” they note, “British Columbia’s relatively low debt gives it a capacity to run deficits in the short run while a ‘made-in-BC’ solution” was implemented. Very significantly, while suggesting that fundamental change was required, they argued that “cuts to key services should not be the solution.”

The portion of the Panel report most widely utilized by the Campbell government was a conclusion (number six of ten) that “projected deficits indicate a structural fiscal imbalance that represents a serious threat to the financial health of the province. While we are not in an immediate financial crisis, government is operating in a fundamentally unsustainable manner.”⁵¹ The conclusions of the Panel were delivered on 23 July 2001, six weeks after Campbell and Collins concluded that a 25 percent tax cut was the right thing to do notwithstanding the economic storm clouds subsequently flagged by the Panel. From the nuanced conclusions of the Panel came the BC Liberal rhetorical narrative of a spendthrift NDP government imposing a “structural deficit” that demanded harsh measures to save the provincial economy.

⁵⁰ The Panel reported out one week before Collins’s 30 July Fiscal Update and announcement of corporate tax reductions; hence they only included the personal income tax of 6 June into their calculations of deficit.

⁵¹ Gordon Barefoot et al., *Report of the British Columbia Fiscal Review Panel*, 23 July 2001, letter of transmittal, 1-2.

Ministerial Assistants

Another element of the Ralph Klein playbook was evident in the provision of political aides, namely ministerial and executive assistants (commonly known as MAs and EAs). Shortly after assuming the premiership, Klein attempted to distance himself and his new government from the “free-spending” Don Getty administration (which Klein had recently been a part of) by reduction of staffing in ministerial offices from over 1,500 (all positions in) to 360: “Ministers in the Klein Government evidently would have to get by without a phalanx of aides and outriders to clear their way.”⁵² Similarly, one of the ways Campbell hoped to distinguish his government from that of the NDP was minimizing political staff: “We intend to be a lean and efficient government,” he declared in mandate letters. Ministers’ offices would have one MA and one EA and administrative support staff would “be kept to a minimum.”⁵³ Among the casualties were executive assistants in ministerial ridings.

Mandate Letters

Premier Campbell’s mandate letters of 25 June 2001 appear to be the first issued in British Columbia, but certainly not in Canada, Britain, or the Commonwealth. His letters lay out priorities and pending processes in considerable detail: core review, deregulation, service plans, and participation on GCCs and cabinet committees. The letters also set out his “rules of the road” for ministerial participation in processes including a remarkably blunt warning that there “will be NO tolerance for deviations from the accepted process protocols [emphasis in original].”⁵⁴ Donald Savoie suggests that “mandate letters run counter to the collective nature of

⁵² Cooper, 77.

⁵³ Gordon Campbell to George Abbott, 1.

⁵⁴ Gordon Campbell to George Abbott, 25 June 2001, 4. Mandate letters were made public by the Premier on date of distribution.

cabinet decision making. How can priorities be established and major tasks identified even before Cabinet has held its very first meeting?” One potential answer is that mandate letters are from the premier and reflect his or her expectations of cabinet; in the case of profound disagreement, a minister “is free to leave or to resign on the spot.”⁵⁵ Remarkably few ministers, often after striving for years to reach cabinet, embrace that option. The power relationship is clear from the outset, as ministers are boxed into the premier’s agenda as set out in the letters.

Campbell’s mandate letters also remind ministers that all “Deputies and Assistant Deputy Ministers and equivalents are appointments of the Premier.” That is the convention in most Westminster-style parliamentary democracies. However, the mandate letters also specify that ministerial assistants would be hired by, and report to, the premier’s chief of staff. This relationship may be less common outside British Columbia. Aucoin and Jarvis in *Modernizing Government Accountability* describe political aides as ministerial appointments serving at his or her [minister’s] pleasure.⁵⁶

Open Cabinet

Open Cabinet added another process pressure in ministerial lives. The first of many Open Cabinet meetings was held on 27 June 2001 and continued every week or two thereafter until 2002 when they moved to monthly intervals. Will McMartin reported that thirty Open Cabinet meetings were held in the first forty-four months of the New Era; he reported in mock alarm in December 2004 that no Open Cabinet had been held for over two months, a signal that enthusiasm for these events was fading.⁵⁷ Norman Ruff also noted the decline of Open Cabinet

⁵⁵ Donald Savoie, “The Rise of Court Government in Canada”, *Canadian Journal of Political Science*, XXXII: 4 (December 1999), 655.

⁵⁶ Peter Aucoin and Mark D. Jarvis, *Modernizing Government Accountability: a framework for reform* on-line (Canada: Canada School of Public Service, 2005), 20.

⁵⁷ Will McMartin, *The Tyee* on-line, 14 December 2004.

across time: “Increasingly, new initiatives came directly from the Premier’s Office, and no Open Cabinet meetings were held after January 26, 2005.”⁵⁸

Many of the Open Cabinet presentations in 2001 involved ministerial reports on “strategic shifts” derived from core review consideration. Open Cabinet also provided “occasions for policy information updates and policy announcements” on a range of issues from deregulation of liquor sales to restructuring of health authorities. By 2005, in Ruff’s reckoning, Open Cabinet had “outlived...its limelight utility for government messaging.”⁵⁹ Les Leyne was appropriately skeptical of whether Open Cabinet was reflective of closed cabinet discussions: “If the open cabinet forum was a safety-conscious industrial worksite, Campbell would be able to post a sign at the gates: ‘Nine full days without a major disagreement’.”⁶⁰ Vaughn Palmer dismissed Open Cabinet as “expensive informercials.”⁶¹ No public expressions of regret at the loss of Open Cabinet after the 2005 election can be found on the written record.

Public Affairs Bureau

Under the BC NDP government (1991-2001), the communications arm was labelled Government Communications and Public Engagement (GCPE). In Alberta, the Klein government’s communications arm was known as the Public Affairs Bureau (PAB); after his elevation to the premiership in 1992, Klein took on direct responsibility for PAB.⁶² After BC’s 2001 election, Campbell moved quickly to rebrand GCPE as the Public Affairs Bureau and, like Klein, move it

⁵⁸ Norman J. Ruff, “Executive Dominance: Cabinet and the Office of the Premier in British Columbia, in *British Columbia Politics and Government*, eds. Michael Howlett et al. (Toronto: Edmond Montgomery, 2010), 208.

⁵⁹ Norman Ruff, “The West Annex,” in *Executive Styles in Canada: : Cabinet Structures and Leadership Practices in Canadian Government*, Bernier, Brownsey, and Howlett, eds., (Toronto: University of Toronto Press, 2005), 234.

⁶⁰ Les Leyne, *Victoria Times-Colonist* on-line, 15 December 2001.

⁶¹ Vaughn Palmer, *Vancouver Sun* on-line, 15 March 2003.

⁶² Taft, 73-75.

into the Premier's Office.⁶³ Campbell's description of PAB reflected the language of New Public Management including a "new service delivery framework for the public affairs bureau" complete with a "client feedback mechanism" and "performance targets".⁶⁴

PAB was also one more element in the centralization of power within the Premier's Office. Campbell made this very clear to ministers in his mandate letters: "Implementation of the government's political agenda will be coordinated by the Communications Director in the Premier's Office."⁶⁵ Soon after, his new deputy minister responsible for government communications advised: "Effective immediately...directors of communications will report directly to me."⁶⁶ Henceforth all advertisements and press releases required prior vetting from the Bureau.

PAB was a shared service administered by the Premier's Office and not, according to Campbell, a manifestation of control from the centre: "...development of a shared service across government is a well-known management technique ... This is a service that is being provided to ministries. It is a coordinating role so that government is acting in unison and is reinforcing the various objectives that we have.... [to] make sure we are speaking with a unified, concerted voice in the province."⁶⁷ Communications directors, like deputies and ministerial assistants, were first and foremost responsible to the Premier's Office, not ministerial offices.

Centralization of communications within the Premier's Office brought complaints from reporters about tardy responses as they strove to meet deadlines. When responses were delayed, Vaughn Palmer complained, "It has nothing to do with the news outlet making the request. It is

⁶³ Ibid., 75.

⁶⁴ *Debates*, 5 March 2002, 1487.

⁶⁵ Campbell to Abbott, 3.

⁶⁶ Cited in Vaughn Palmer, *Vancouver Sun* on-line, 14 November 2001.

⁶⁷ *Debates*, 23 August 2001, 765.

the ultimate result of Premier Gordon Campbell's rigid centralization of communications, plus his notion that politicians, not communications staffers, should do all the talking."⁶⁸

In the New Era, the drive for control from the centre was strongest during the first few months in office with ministerial speech approval (which did not persist), attempted control of ministerial interaction with media (a practical impossibility given co-location within the legislative buildings), and event coordination and approval (which lives on through the "corporate calendar").

Campbell aimed for centralized control over important levers of power within government in order to drive New Era direction, content, and processes. Budgets tendered in Finance Minister Collins's Fiscal Update of 30 July 2001 revealed a five-fold staffing increase within the Premier's Office to 198 and a seven-fold increase in budget to \$21 million.⁶⁹ On 22 August 2001, just weeks into office, Campbell advised the Legislature: "[W]e thought it was important that we have a number of government-wide initiatives led by the Premier's office so it didn't again become one ministry having an argument with another ministry."⁷⁰ Such thinking had already prompted the move of the intergovernmental relations secretariat, the public affairs bureau, the chief information officer, and the Crown agencies secretariat into the Premier's office. Each came with its own deputy or assistant deputy minister. As Palmer observed, "All those consolidations serve to further centralize power in the premier's office."⁷¹ But what did Gordon Campbell aim to do with that centralized power?

⁶⁸ Vaughn Palmer, *Vancouver Sun* on-line, 27 November 2001. In June 2002 all 270 information officers were terminated as public service employees, then 160 were rehired as order-in-council appointments.

⁶⁹ One former official suggests that under the NDP, the Premier's Office budget was under-stated with expenses being picked up by ministries. Respondent D, interview with the author, 21 September 2018.

⁷⁰ *Debates*, 22 August 2001, 739.

⁷¹ Vaughn Palmer, *Vancouver Sun* on-line, 3 August 2001.

Was there a hidden purpose behind the frenetic pace of the New Era?

Naomi Klein offers a thought-provoking analysis of political exploitation of crises and disasters in *The Shock Doctrine: The Rise of Disaster Capitalism*. She looks in particular at economist Milton Friedman and the impact of his ideas across time and across the world. Friedman believed that successful political reforms must be undertaken quickly: “a new administration has some six to nine months in which to achieve major changes; if it does not seize the opportunity to act decisively during the period, it will not have another such opportunity.”⁷² As further discussed in Chapter 3, the notion of reform as a time-limited opportunity resonated powerfully in the New Era. The “day one” dramatic tax cut, the “90 day agenda”, and the process barrage initiated by mandate letters to ministers were all reflective of a premier in a hurry.

Friedman’s “three-part formula of deregulation, privatization and cutbacks” was also well represented in the New Era program. As detailed in Chapter 5, processes like core review were structured to drive smaller government: a compelling case was required to preserve a program, but little more than notification was needed to eliminate it. In Campbell’s New Era, at least 33 percent of regulations in every ministry were presumed to be unhelpful or unnecessary and therefore requiring rescission. Adding a new regulation (even in pursuit of a *New Era* commitment) required an existing regulation to be expunged.⁷³ Campbell also demonstrated an enduring personal affection for tax cuts. One of his first acts as premier was the 25 percent cut in 2001; one of his last acts was a “hail Mary” 15 percent tax cut proposed on 28 October 2010, just days before announcing his departure from the premiership.⁷⁴

⁷² Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism* (Toronto: Alfred A. Knopf Canada: 2007), 7.

⁷³ As noted in Chapter 1, for purposes of clarity, *New Era* when italicized refers to the *New Era* document; when not italicized, New Era refers to the period 2001 to 2005.

⁷⁴ CBC on-line, “NDP calls Campbell’s tax cut desperate,” 28 October 2010. Campbell announced his plan to resign on 3 November and cabinet chose not to act on the tax cut during leadership transition.

Friedman also argued that “[o]nly a crisis – actual or perceived – produces real change. When the crisis occurs, the actions that are taken depend on the ideas that are lying around.” A crisis allows ideas that are “politically impossible” to become “politically inevitable.”⁷⁵ Some aspects of the Campbell record suggest he also embraced political opportunity through crisis. Campbell’s 2001 tax cuts were initiated amid strong signals of a weakening economy. He appeared untroubled by the failure of his cuts to “pay for themselves.” Times of deficit and economic restraint were, he said, “exactly the time when you should be looking at what the critical services are that government provides.”⁷⁶ The \$4.4 billion deficit provided a “burning platform”⁷⁷ for programmatic sacrifices via core review. Seven years later, when confronted in 2009 by the “deepest recession since the Great Depression,” Campbell’s first instinct was again deep cuts and retrenchment, an initiative soon truncated by sales tax harmonization and a \$1.6 billion federal transition grant.⁷⁸

Did Campbell also exploit the supplemental crisis produced by the terrorist attacks of 11 September 2001 (9/11)? The tax cuts of 6 June and 30 July, in combination with revenue declines since 15 March, had already created a “burning platform” in the form of a \$4.4 billion deficit. A supplemental crisis was not needed. Processes aimed at smaller government – core review, deregulation, and so on -- were well underway three months before 9/11. Did the events

⁷⁵ Cited in Naomi Klein, 7.

⁷⁶ *Debates*, 5 March 2002, 1517. The full quote is provided in Chapter 4.

⁷⁷ “Burning platform” is used in a variety of ways in the literature on political and managerial change. I define “burning platform” as crises that are either natural (for example, a deficit produced by a cyclical downturn) or engineered/self-induced (for example, a deficit exacerbated by tax cuts).

⁷⁸ The author was a member of the Agenda and Priorities committee in 2009 charged with finding cuts across the board. For an account of the HST saga see George Abbott, “The Precarious Politics of Shifting Direction: The Introduction of the Harmonized Sales Tax in British Columbia and Ontario,” *BC Studies*, #186 (Summer 2015): 125-148.

of 9/11 further embolden the budget-cutters? Perhaps, but only to the extent that 9/11 exacerbated the fiscal deficit and that was largely a “best guess” in the final quarter of 2001.

Campbell used crisis to advance his ideological agenda, but he was not a typical neo-liberal ideologue as set out in *The Shock Doctrine*. His “burning platform” aimed to focus services on “those who really needed them;” contraction of services was a way to smoke out freeloaders and ne’er-do-wells who theoretically exploited the generosity of the state under the NDP.⁷⁹ He drove “smaller government” as a political strategy and as a means to an end, but not as an ideal end-state. Rather, smaller government created a “foundation for achievement”⁸⁰ on which a stronger economy and more sustainable public services might be built.

Campbell certainly took on some neo-liberal attributes when political or economic circumstances suited him, but a portrait of “Campbell as Friedmanite” would not be sustained by the historical record. As detailed earlier in this chapter, his *New Era* platform is far from a recipe for laissez-faire smaller government. The platform promises expensive and expansive new programs along with a progressive social agenda including more, better-trained, and better-resourced social workers. As detailed in Chapter 4, Campbell readily sacrificed his *New Era* social agenda to protect his New Era economic agenda, but the former was never entirely lost and re-emerged within the “Five Great Goals for a Golden Decade” in 2005.

Campbell’s pattern of political choices across time is far too diverse and inconsistent to sustain any single political characterization. Crawford Kilian aptly describes Campbell as a

⁷⁹ The core review committee struggled with social housing as provided by BC Housing. Some committee members believed that a fortunate few benefitted from subsidized housing while others suffered for lack of it. One former official believed this “recurring myth” encouraged “the destruction of social housing to create equity.” Respondent C, interview with the author, 7 January 2019.

⁸⁰ *Debates*, 10 February 2004, 8444. The words are from the 2004 Throne Speech.

“policy wonk and voracious reader,”⁸¹ and books consumed by the voracious reader often stoked the enthusiasms of the policy wonk, from health to climate change, and from education to Aboriginal relations. When his government enjoyed strong revenues during the abbreviated “Golden Decade” (2005-late 2008), Campbell was far more a reformist liberal like Dalton McGuinty than a neo-liberal like Mike Harris. Campbell’s Golden Decade not only brought substantial reinvestment in social services, but also in public education (through programs like StrongStart and full-day kindergarten) and in Health (through programs like ActNow BC and the “Wait Times Reduction Strategy”). His embrace in 2008 of a carbon tax to fight climate change puzzled both his political foes in the BC NDP and other Canadian premiers of the centre-right: where did that Gordon Campbell come from?

Gordon Campbell: Neo-Liberal, Reformist Liberal, or Hybrid?

The character, tone, and content of the *New Era* document offered, as noted above, a mix of neo-liberal and reformist liberal elements.⁸² Gordon Campbell as politician offered a similar mix of such elements. J.R. Lacharite and Tracy Summerville suggest that “Campbell’s policy record appears to reflect a considerable measure of both pragmatism and ideological zeal.” Although both Campbell and the New Era were heavily influenced by 1990’s experiences of Alberta and Ontario, “there was more to Campbell’s legacy than a desire to transform BC into a simple replica of the Klein and Harris regimes...”⁸³ What the public saw from 2001 to 2005,

⁸¹ Crawford Kilian, *The Tyee* on-line, 21 December 2017. Norman Spector described Campbell as “a policy wonk of considerable hubris” in *The Globe and Mail* on-line, 10 November 2010. Both descriptions have merit.

⁸² Neo-liberal has become a pejorative term for some in the contemporary political lexicon and I use it with reluctance. A neo-liberal in my definition is an advocate of smaller government, free markets, and less government intervention economically and socially. A reformist liberal in my definition embraces the notion of equality of opportunity through more government intervention in the provision of health, education, and social services.

⁸³ Lacharite and Summerville, 5 and 6.

notwithstanding the extraordinary efforts of ministries to fulfill reformist liberal *New Era* commitments, was the severe retrenchment measures of a neo-liberal.

Campbell's belief that personal and corporate tax cuts would spawn made-in-BC growth amidst recessionary trends in North American and world economies proved to be misguided; that belief not only shaped the unfolding of the New Era but also the public's sense of Campbell as a political leader. Unrelenting budget-driven retrenchment did not leave much room for reformist liberal zeal. The "Five Great Goals for a Golden Decade" of 2005 would have been laughed out of (or perhaps forcibly expelled from) the core review and budget target review rooms in 2001.

Campbell was, as Lacharite and Summerville also suggest, "a very complex politician."⁸⁴ He demonstrated both pragmatism and political skill in bringing much of Reform BC into the BC Liberal fold prior to the 2001 election. The BC Liberals were (and are) a coalition of federal Liberals and Conservatives, and Campbell met the challenge of maintaining a united public face across a large and diverse caucus during the dark days of the New Era. Like his party, Campbell himself was a political hybrid: a smaller government conservative when his instincts or the fiscal situation suggested retrenchment but a social progressive on issues like abortion, same-sex marriage, and safe-injection sites.⁸⁵

Kevin Ginnell effectively summarizes Campbell's managerial proclivities as: "(1) a penchant for hard work and even over-achievement; (2) an ideological tendency (leaning to the right) tempered by a more pragmatic, and at times, progressive streak; and (3) a quixotic inclination to intensify focus on an issue, or set of related issues, and then eventually drift off to

⁸⁴ Ibid., 9.

⁸⁵ When the creation of safe-injection sites emerged as a prominent public issue in November of 2001, Campbell joined the province's lead minister George Abbott in supporting the controversial treatment option. Frances Bula, "BC supports safe-injection sites", *Vancouver Sun*, 24 November 2001, A01.

other policy areas.”⁸⁶ As a mayor of Vancouver, Campbell’s support of “progressive social issues, such as the construction of abortion clinics in Vancouver, the hosting of the Gay Games, and the development of AIDS protocols, suggests a pragmatic and adaptable leader rather than an ideologue driven by a set of unrelenting neoliberal values.”⁸⁷ A strong case can be made for both, but an assessment based only on the New Era years would undoubtedly conclude that Campbell was the latter.

Campbell was drawn to big ideas and lofty goals. He enjoyed big and bold successes like the *New Relationship Agreement*, the Great Bear Rainforest Agreements (2006), the 2010 Winter Olympics, and the carbon tax, along with some notable failures like dramatic 2001 tax cuts that failed to “pay for themselves”, the *Community Charter/ Significant Projects Streamlining Act* standoff (detailed in Chapter 6), and the 2010 harmonization of sales taxes.⁸⁸ But despite being a “big picture guy”, he was prone to correcting his ministers on the smallest of details leading to a reputation for micro-management. For example, a cabinet minute of 5 September 2001 notes: “The Premier reminded Ministers that Powerpoint [sic] presentations should be brief, numbered and not used as speaking notes.”⁸⁹

Campbell had a long memory for any perceived disloyalty and was never inclined to forgive or forget such a failing. To Campbell, loyalty was personal not partisan. The BC Liberal Party was simply a vehicle for delivering his vision for government. In other circumstances, a Social Credit or Conservative party would have held equal utility. Nancy Campbell, perhaps

⁸⁶ Kevin Ginnell, “Charting Gordon Campbell’s Rise to the Top: The Pragmatic Mayor and the Politics of ‘Efficiency’,” in Lacharite and Summerville, 16.

⁸⁷ Kevin Ginnell, in Lacharite and Summerville, 25.

⁸⁸ See George Abbott, “The Precarious Politics of Shifting Direction: The Introduction of the Harmonized Sales Tax in British Columbia and Ontario,” *BC Studies*, #186 (Summer 2015): 125-148.

⁸⁹ Cabinet minutes, 5 September 2001, 2. Cabinet minutes were published by *The Breaker* on-line, 1 September 2017, courtesy of a freedom of information request tendered by reporter Bob Mackin.

inadvertently, came very close to capturing her husband's outlook and orientation: "Gordon doesn't like politics, he likes government." Her description, as Vaughn Palmer notes, "was an accurate summation of her husband's policy wonk tendencies."⁹⁰ Campbell was never able to convey the smooth and relaxed public demeanour of a Bill Vander Zalm, Glen Clark, or Christy Clark – and he knew it. Politics was the price he gladly paid for getting to the prize of driving policy and governance.

Campbell was generally an effective player on the national stage. The move of the intergovernmental relations secretariat into the Premier's Office in 2001 did not signal a re-emergence of federal-provincial tensions, characterized by Phillip Resnick as the "politics of resentment".⁹¹ Throughout the twentieth century, BC premiers had frequently employed the strategy of attacking federal policies "to gain domestic electoral advantage and to direct attention away from troublesome issues...."⁹² Campbell largely avoided sectional and partisan quarrels and unconstructive "fed-bashing." He played best with his equals on organizational charts. He was inclined in darker moments to lash out at cabinet ministers for failing to meet his expectations, but in the federal-provincial realm he was calm, constructive, and collegial, typically seeking ways to reach agreement rather than battle for political advantage.

Campbell showed remarkable leadership in bringing British Columbia and Canada forward on Indigenous relations through the *Kelowna Accord* of 2005, a sharp but commendable departure from his spirited opposition to the Nisga'a Agreement a few years earlier. And, after

⁹⁰ Nancy Campbell's comment was made in a get-to-know your leader video produced by the BC Liberal Party and cited in Vaughn Palmer, *National Post* on-line, 6 January 1999.

⁹¹ Paul Resnick, *The Politics of Resentment: British Columbia Regionalism and Canadian Unity* (Vancouver: UBC Press, 2000), 20.

⁹² Norman Ruff, "British Columbia and Canadian Federalism" in *The Reins of Power: Governing British Columbia*, Terry Morley et al. eds. (Vancouver: Douglas and McIntyre, 1983), 291.

getting religion on climate change in 2007, he demonstrated national leadership with BC's introduction of the carbon tax (another initiative which would have been utterly abhorrent in 2001). Campbell's more notable achievements were largely post-New Era, not surprising given that period's imperatives of expenditure reductions and balanced budgets left little room for progressive initiatives not otherwise specified in the *New Era* document.

Campbell's approach to politics and government (based on the author's first-hand observation over 17 years) was founded on the belief that great successes flow from bold and decisive actions. Hesitation reflected weakness and uncertainty; the latter, in turn, would mar results and government would fail to do "what really needed to get done." His determination to "stick to the agenda" during the New Era meant, in reality, stick to the fiscal and economic agenda, not to the social agenda articulated in the *New Era* platform. Campbell's single-minded New Era devotion to tax cuts, balanced budgets, and the economic side of the ledger reflected, one former official argues, an ideologically based inability to see "there are things you can do in the short term that are reversible in the short term, but other short-term goals can produce decades of social and environmental damage."⁹³

Some of that single-mindedness was evident in *Vancouver Sun* articles by Frances Bula on the eve of the 2001 election. At one point during an on-the-record dinner interview, Campbell "enthused about the miracle that tax cuts will work on the economy with the fervour and rhetorical sophistication of a vegetable-slicer-dicer pitchman." The pitch apparently wore thin on Bula: "When you hear the familiar phrase, as I did heading into our third hour of dinner

⁹³ Respondent C, interview with the author, 7 January 2019. For example, severe cuts to the Ministry of Forests (40 percent) and the Ministry of Water, Land and Air Protection (45 percent) in 2001 may have contributed to the challenge of responding to fire and flood in the decades ahead. George Abbott and Chief Maureen Chapman, *Addressing the New Normal: 21st Century Disaster Management in British Columbia*, prepared for the BC government, 30 April 2018, 7-13 and 116.

conversation, ‘I don’t think tax cuts will work, I know they’ll work!’ it’s time to turn off the lights. The boyishly engaging and offbeat Gordon Campbell vanishes – poof! – to be replaced by a machine.”⁹⁴

The “pitchman’s fervour” was on full display just five weeks later as Campbell announced his “day one” dramatic tax cut. However, as anticipated rewards became adverse consequences he refused to acknowledge the linkage between deep tax cuts and deep budget cuts. When Opposition Leader Joy McPhail attempted to establish a causal linkage between budget cuts and core review outcomes, Campbell implied that results were as precisely as planned.⁹⁵ He provided not the slightest hint that tax cuts had fallen short of expectations. To Bula, the “public” Campbell was “one who seems utterly incapable of admitting a fault,” a trait well-evident as the tax cut saga unfolded.⁹⁶

The election of 2001 offered some of the best and worst moments in the leadership of Gordon Campbell. He had won a massive victory by absorbing much of Reform BC and “uniting the right.” He addressed weaknesses in the 1996 campaign and created a *New Era* platform that would maximize public appeal. He ran a strong campaign that reduced the previously formidable NDP to a mere two seats. The magnitude of that victory appeared to cloud his judgment. As detailed in Chapter 4, his “day one” dramatic tax cut was dismissive of negative economic indicators and consequent threats to the budget, even without tax cuts. His

⁹⁴ Frances Bula, *Vancouver Sun* on-line, 28 April 2001. Bula’s account even hints at some of the core values and beliefs that drove Campbell: “At another point, he recited a quote he has carefully memorized: ‘Whatever you can do or dream you can do, begin it. Boldness has genius, power and magic in it.’ When I asked where it was from, he turned anxious to help. Goethe, I think. Do you want me to find out? I can e-mail it to you. Just let me know.”⁹⁴ At moments when Campbell suspected others of nursing doubts – whether in caucus, cabinet, or party – Goethe and his inspirational words were apt to reappear as a tonic for failing political courage. One such moment is captured in Chapter 4 below.

⁹⁵ *Debates*, 5 March 2002, 1517. See Chapter 4 for a detailed account of this critical exchange.

⁹⁶ Bula, *op.cit.*

haste to remake government saw the *New Era* social agenda sacrificed for the New Era economic agenda. In the rarefied air of a massive victory, British Columbia was not a small jurisdiction comprising less than one percent of trade in North America; it was an exemplar to Canada and the world of how a resource-rich and inspired province, freed from constricting taxes and regulations, could light its own way and shape its own destiny. Misjudgment would have serious consequences.

The BC Liberal government faced a myriad of complex and often intractable problems in the New Era, some of its own making. Chapter 3 examines global components that helped shape the period. The Campbell government drew ideas, institutions, and processes from outside as well as inside Canada. Among the most prominent of those components – if seldom formally recognized as such -- was New Public Management, a body of political and managerial doctrine with its roots in the Margaret Thatcher government in Great Britain.

CHAPTER 3

HOW GLOBAL COMPONENTS HELPED SHAPE THE BC LIBERAL NEW ERA

“We are all just prisoners here, Of our own device” -- Eagles¹

A mention of New Public Management or NPM to cabinet ministers of the New Era would, in most instances, have drawn a blank stare.² However, all ministers were well-versed on stories of Klein’s Alberta, Harris’s Ontario, and even David Lange’s New Zealand. Those jurisdictions had all been the object of extensive caucus discussions in the years preceding the 2001 election, sometimes featuring out-of-province guest speakers. Stories of decline and the need for harsh medicine to address such decline were common. BC Liberals were firmly – and in some cases fervently – convinced that the road to prosperity was paved with tax cuts, deregulation, balanced budgets, competitive outsourcing, privatization, and smaller governments that steered but never rowed, all consistent tenets of New Public Management.³

Among BC Liberal politicians, the experience of exogenous jurisdictions was rarely characterized as New Public Management, but rather as “streamlining”, “rebalancing”, or “restructuring” government (normative slogans being, then as now, more powerful weapons in political battle than academic theoretical constructs). And NPM was by no means new to British Columbia; elements of that managerial doctrine were evident in the Bill Bennett and Bill Vander Zalm Social Credit governments two decades before the New Era. Phillip Resnick describes how Social Credit’s 1983 budget embraced themes of privatization, deregulation, and

¹ Eagles, “Hotel California,” from *Hotel California*, 1977.

² I feel confident in saying so because I was never familiar with the expression until doctoral studies.

³ One finds modest differences among the many scholars of NPM about its characteristics. There is much more discussion of NPM below but a handy reference is Gernod Gruening, “*Origin and theoretical basis of NPM*”, 2, which offers a table of “Undisputed characteristics (identified by most observers)”.

centralization of spending controls “with direct analogies to practice, both in the U.K. and the U.S.”⁴ Social Credit’s privatization of highways maintenance in the 1980s offered a potent provincial example of public service delivery reforms⁵ embraced elsewhere in the world.

The New Era was made-in-BC but built from global components. The Campbell prescription, J.R. Lacharite and Tracy Summerville argue, took “its cue from, and advantage of, well-established pro-market maxims and policy reforms advanced by progenitors like Margaret Thatcher (UK) and Ronald Reagan (US).”⁶ As Mark Evans notes, NPM “struck a chord with governments of the radical right” such as those of Thatcher and Reagan “who blamed ‘Big Government’ for global economic downturn and were seeking to roll back the frontiers of the state to redress market failures.” The Thatcher “revolution” caught the attention of the world: “Indeed, in relation to market reforms, the UK became a net exporter of administrative innovations first to the Commonwealth and later to developmental states.”⁷ Those innovations were revised and enriched by subsequent international, national, and provincial experiences, particularly (for New Era purposes) in New Zealand, Alberta, and Ontario.

Some elements of New Public Management were evident within NDP governments of the 1990s. For example, Lacharite and Summerville point to the Glen Clark government’s encouragement of public-private partnerships⁸, while Katherine Teghtsoonian casts a critical eye on the “insertion of corporate management practices and discourses into the workings of

⁴ Phillip Resnick, “Neo-Conservatism on the Periphery: The Lessons from B.C.,” *BC Studies*, No. 75 (Autumn 1987): 13.

⁵ “Reform” is used Irene Rubin’s sense of the word: “Reform means change in a direction advocated by some groups or individuals. It does not necessarily mean improvement.” Cited in Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis* (Oxford: Oxford University Press, 2011), 35.

⁶ J.R. Lacharite and Tracy Summerville, eds., *The Campbell Revolution? Power, Politics, and Policies in British Columbia* (Montreal: McGill-Queens University Press, 2017), 9.

⁷ Mark Evans, “Policy transfer in critical perspective,” *Policy Studies*, Vol. 30, No. 3, (June 2009): 253.

⁸ Lacharite and Summerville, 7.

government.” In her view, equity and social justice goals were being displaced by business plans and three-year performance plans “couched in terms of performance indicators and targets.”⁹ The new BC Liberal government, she suggests, intensified a shift that was already underway.¹⁰

The BC Liberal affection for the content – if not the labels -- of NPM was an extension and elevation of ideas and practices that had enjoyed long currency in the province. The massive majority enjoyed by the incoming BC Liberal government in 2001 set the stage for an uninhibited remaking of government. In that remaking, to quote Lacharite and Summerville’s memorable words, Campbell “rode the wave of a legacy that had already hit the shore.”¹¹

New Public Management offered themes and approaches that fit well in the Campbell New Era. For example, Christopher Hood identifies two key elements common to both NPM and the BC Liberal agenda: “*slow down or reverse government growth* in terms of overt public spending and staffing” and “the shift toward *privatization*...with renewed emphasis on ‘subsidiarity’ in service provision [emphasis in original].”¹² Campbell’s demand for smaller government fueled both core review and attempted privatization of BC Rail and the Coquihalla concession (processes detailed in Chapter 5). “Subsidiarity” was the belief that services should be delivered by the government or entity “closest to home” rather than by central government. Subsidiarity was implicit, for example, in Campbell’s early conception of a “Community Charter” and in devolution of functions like safety services.¹³

⁹ Katherine Teghtsoonian, “Social Policy in Neo-liberal times”, in *British Columbia Politics and Government*, eds. Michael Howlett et al. (Toronto: Edmond Montgomery, 2010), 315-18.

¹⁰ There is abundant evidence to support Teghtsoonian’s thesis. However, one former official suggests the change of government signalled more than intensification, rather a shift in mindset: “Overnight in 2001 the public service had to adapt its discourse from ‘social dividends’ to ‘return on investment’ if they were to be understood by the new government.” Respondent L, interview with the author, 24 February 2017.

¹¹ Lacharite and Summerville, 13.

¹² Christopher Hood, “A Public Management for All Seasons?” *Public Administration*, Vol.69, (Spring 1991), 3.

¹³ Both the *Community Charter* and the devolution of the BC Safety Authority were products of the Ministry of Community, Aboriginal and Women’s Services and described in detail in Chapter 6.

Alford and Hughes argue that NPM “was not a monolithic set of practices but had variants from one jurisdiction to another”;¹⁴ it did not offer a precise and consistent prescription for reform, but rather “a bundle or ‘shopping basket’ of measures, in the main mutually supportive but occasionally mutually contradictory.”¹⁵ Janine O’Flynn identifies central and recurrent themes within the NPM “shopping basket” such as “the way in which government was viewed, constructed and arranged was firmly rooted within an economic frame and, from here, policy rhetoric focused on the notion that small government was superior and that government failure must be addressed in order to maximise efficiency.”¹⁶

O’Flynn’s focus is largely on the Australian NPM experience, but her description was entirely appropriate in the BC New Era context. Among the common normative themes of NPM that found expression both in the *New Era* document and post-election change processes were separation of policy and administration (“Merit Employment legislation to restore a professional public service”, thrice promised), deregulation (“Cut the ‘red tape’ and regulatory burden by 1/3 within three years”, twice promised), and achieving private sector-style competition (“Restore open tendering on government contracts”, thrice promised).¹⁷ Perhaps most importantly, the New Era drive for smaller government, at the core of the Campbell “revolution”, was fueled by the tenets of New Public Management.

¹⁴ John Alford and Owen Hughes, “Public Value Pragmatism as the Next Phase of Public Management,” *The American Review of Public Administration* 38, No. 2 (June 2008):134.

¹⁵ Pollitt and Summa, “Trajectories of Reform,” 7.

¹⁶ Janine O’Flynn, “From New Public Management to Public Value: Paradigmatic Change and Managerial Implications”, *The Australian Journal of Public Administration*, Vol. 66, No. 3 (2007), 353.

¹⁷ *New Era*, 4, 8, 10, 15, and 30.

NPM Wins Official Blessing But No One has Time to Study It

Despite being little known in political circles, the New Era linkage to NPM was neither random nor retrospective. The Campbell government drew heavily from NPM theory and practice, explicitly so within the senior public service. The “Deputy Minister Performance and Development Plan” for 2002-2003, for example, directed that among “key development goals” was the study of NPM and attendance at one or more major conferences on alternative service delivery.¹⁸

Study and reflection were, alas, incompatible with the frenetic pace of the New Era: “For most [deputies], there was precious little time to examine and understand the roots of what was happening. All DMs were immediately thrown into the maelstrom of 30, 60, 90-day deliverables,” one former deputy observed. “For all the exhortations of the Premier and his staff to get us to think ‘outside the box’, the reality was we were hard-pressed to think at all. The imperative was to ‘do’, not to ‘think’ and most certainly not to ‘question’ the strict orders we had been given.”¹⁹ Gernod Gruening cites “freedom to manage” as an “undisputed characteristic” of NPM.²⁰ However, the rapidity and intensity of the Campbell reform agenda not only left scant opportunity for the study of NPM, it also created an environment where “rather than loosening or even relinquishing the levers of control, the implementation of NPM reforms had the opposite effect.”²¹ The New Era process barrage was intense, omnipresent, and utterly consuming.

¹⁸ British Columbia, “Deputy Minister Performance and Development Plan,” 2002-2003, 3.

¹⁹ Respondent C, correspondence with the author, 3 December 2018.

²⁰ Gernod Gruening, “Origin and theoretical basis of New Public Management,” *International Public Management Journal* 4 (2001), 6.

²¹ Evert Lindquist and Ken Rasmussen, “Deputy Ministers and New Political Governance: From Neutral Competence to Promiscuous Partisans to a New Balance?” in *New Public Management to New Political Governance: Essays in Honour of Peter Aucoin*. Eds. Herman Bakvis and Mark Jarvis (Toronto: McGill-Queen’s University Press, 2012): 187.

The barrage began with the “frantic” New Era “90 day” agenda which, as the Deputy to the Premier described it, “was Looney Tunes in many ways to deal with the government’s agenda.”²² The already daunting challenge of reconciling Campbell’s “day one” 25 percent tax cut with delivery of existing programs and *New Era* commitments was further exacerbated by post-election processes laid out in the mandate letters of 25 June 2001: core review, preparation of “Alberta-style”²³ three-year service plans, deregulation, alternative service delivery, consultations and complex planning for devolving functions, and reporting out to Agenda and Priorities Committee, Government Caucus Committees, and Open Cabinet.

BC’s experience reflected that of exogenous jurisdictions (also working from the New Public Management “shopping basket”) where “a confusing welter of changes goes on simultaneously, among which it is difficult to distinguish ephemeral and hyped-up innovations from those that are fundamental and longer lasting.”²⁴ Pollitt and Summa’s description of NPM reforms in Thatcher’s Great Britain and Lange’s New Zealand engages phrases reflective of BC’s New Era experience: “driven through short time scales”, “pace of change was high and opposition was steam-rolled more often than placated”, “too far too fast”, “scope of reform was broad and doctrinal content high”, and most significantly “the *process* of change was an intense and often painful one [emphasis in original].”²⁵ How did Gordon Campbell’s devotion to “getting things done” become “too far too fast”?

²² Cited in Vaughn Palmer, *Vancouver Sun* on-line, 17 November 2001. “Frantic” also came from Dobell.

²³ Norman Ruff, “The West Annex: Executive Structure and Administrative Style in British Columbia”, in *Executive Styles in Canada: Cabinet Structures and Leadership Practices in Canadian Government*, Luc Bernier et al., eds. (Toronto: University of Toronto Press, 2005), 239.

²⁴ Patrick Dunleavy et al, “New Public Management is Dead – Long Live Digital-Era Governance,” *Journal of Public Administration Research and Theory* (September 2005): 468.

²⁵ Christopher Pollitt and Hilka Summa, “Trajectories of Reform: Public Management Change in Four Countries,” *Public Management and Money*, (January-March 1997): 12-13.

Do Inadequate Resources and Fragmented Focus Turn Speed Into Haste?

Speed, haste, and demands to “have everything at the same time” were recurrent elements in the New Era story. Former public servants interviewed for this project routinely cited pace of change as the primary obstacle to achievement of goals, particularly in combination with budget and staffing cuts. Their experiences suggest that speed can be compatible with successful resolution of complex problems, but prospects of success will be inhibited by inadequate resources and/or fragmented focus.

In 2001, the ministries of Health Planning²⁶ and Children and Family Development both undertook ambitious and challenging processes aimed at reformed regional service delivery. An Open Cabinet presentation of 12 December 2001 from Health Planning Minister Sindi Hawkins proposed a “streamlined regional health system” to “save and renew public health care.”²⁷ Her presentation argued that the current 52 health authorities were “poorly structured and organized” and “not financially sustainable” causing “duplication and inefficiency.”²⁸ Her proposal to create five regional health authorities and one provincial health services authority was subsequently endorsed by cabinet. Remarkably, a news release from Health Planning later the same day not only announced the new health governance model but also the appointment of six new board chairs to lead the new “accountable corporate governance boards” that would soon

²⁶ The Campbell cabinet included both a Ministry of Health Services and a Ministry of Health Planning, each with its own minister and deputy minister. Both actively participated in creation of the new regional model but with Health Planning as lead.

²⁷ The former quote is from “Core Services Review: Phase One,” Ministry of Health Planning and Ministry of Health Services, 12 December 2001, 15, and the latter quote from “A New Era for Patient-Centred Care”, Minister of Health Planning, 12 December 2001, 2.

²⁸ The 52 authorities included 11 regional health boards, 7 community health services societies, and 34 community health councils. “A New Era for Patient-Centred Care”, 3 and 4.

follow.²⁹ Within six months of taking office, the healthcare delivery system was dramatically transformed, an achievement of Friedmanesque proportions!

MCFD's core review presentation of 7 November 2001 emphasized "community" and "community delivery" of services (further detailed in Chapter 8) but regionalization was always part of MCFD's decentralized model, particularly after the new health authorities provided spatial definition to "region".³⁰ Up to 2,800 ministry staff, primarily child protection workers, were slated for transfer to the new authorities. Atop the five regional authorities would be a permanent provincial authority (again mimicking the Health model) with a board appointed by government "enabling the provincial authority to develop a coherent and corporate approach to delivering a broad range of services."³¹ Minister Gordon Hogg promised that plans for regionalization, along with those for devolution of Community Living BC, would be complete in 2003, with full implementation of the new service delivery model in 2004. Those plans remained "on hold" long after Hogg's departure from MCFD in January 2004.³²

What accounts for Health Planning's speedy "success"³³ in comparison to MCFD's long-run struggles with regionalization? Part of the answer may lie in resourcing. In their study of policy innovation within the federal bureaucracy, Desveaux et.al. link policy achievement to provision of "necessary financial resources and the latitude to develop policy."³⁴ In BC's case,

²⁹ Ministry of Health Planning, "Government Restructures Delivery of Patient Care," 12 December 2001. The regionalization model had been the object of extensive and sometimes intensive debate in closed cabinet. Public consultation was obviously very limited in comparison to that of MCFD.

³⁰ *Debates*, 8 April 2002, 2589.

³¹ *Ibid.*, 8 April 2002, 2600.

³² See for example *Debates*, 24 March 2004, 9658-59, with Hogg's immediate successor Christy Clark, and *Debates*, 5 October 2004, 11415, with Clark's successor Stan Hagen, around regionalization and community living.

³³ The organizational structure for health service delivery – five regions and one pan-provincial tertiary authority – remains unchanged after nearly twenty years, a good start on "success" in a system prone to political rethinking.

³⁴ James A. Desveaux, Evert A. Lindquist, and Glen Toner, "Organizing for Policy Innovation in Public Bureaucracy: AIDS, Energy and Environmental Policy in Canada," *Canadian Journal of Political Science* XXVII:3 (September, 1994), 509.

ministries of Health enjoyed lifts of \$1.1 billion in both the 2001/02 and 2002/03 budgets.³⁵ On the other hand, Hogg reported “\$55 million in unfunded cost pressures” in August 2001, exacerbated by a subsequent 23 percent budget cut to be delivered at latest by February 2004. Health ministries possessed the financial resources to implement their new regional model without widespread resistance; MCFD’s proposed models were unsurprisingly viewed with suspicion (“a poisoned chalice”³⁶ in one official’s words) because of concurrence with severe budget cuts.

The Premier and cabinet provided Health Planning with ample latitude to develop policy around regionalization. The operation of 52 service delivery agencies was unsurprisingly deemed incompatible with a more disciplined and cost-effective healthcare delivery; their replacement by a much smaller number of provincially appointed “corporate” boards was seen as an essential pre-condition to “getting control” over healthcare spending. In MCFD’s case, regionalization and devolution involved a transfer of authority away from central ministerial control and into structures closer to and more sensitive to community voices. The Ministry of Finance and Treasury Board were at best agnostic on MCFD’s plans; the former needed caseload and budget reductions from MCFD and diffusion of control was potentially inimical to that goal.

Desveaux et.al. also suggest that the “difficulty in producing comprehensive responses to problems may be due less to policy and political errors and more to organizational factors.” In some cases, they argue, new capacity must be “created and structured to take up the challenge.”³⁷ The Ministry of Health Planning followed that recipe: a new ministry with its top priority the

³⁵ *Debates*, 30 July 2001, 134, and Ministry of Health Planning, *2002-03 Annual Service Plan Report*, www.bcbudget.gov.bc.ca/hp_role.

³⁶ Respondent F, interview with the author, 10 January 2019. See Chapter 8 for full discussion.

³⁷ Desveaux et.al., 493 and 495-6.

design and implementation of a “streamlined regional health system”, a mission generously-funded and fully staffed. On the other hand, MCFD was shedding staff (including assistant deputy ministers) rather than adding new capacity. Planning committees were created but “all got bogged down early in multiple process issues. We in the ministry headquarters were also deeply embroiled in the budget nightmare so things were very stretched.” Momentum was further dissipated with the realization that “it would be extremely difficult to move services out with less funding.”³⁸ MCFD’s focus on regionalization and devolution was constantly fragmented by the urgency to extinguish budget-induced fires. Organizational factors were indeed at play in MCFD’s failure to achieve its goals, but the political decision to impose unrealistic and unrealizable budget cuts on a caseload-driven ministry lay at the heart of that failure.

Health Planning enjoyed the opportunity to focus on a vitally important but well-defined goal; MCFD was hamstrung by the Premier’s demand for “everything at the same time.” As the next section demonstrates, the Campbell government drew important lessons from New Zealand on the scope and speed of change as well as their experience with New Public Management.

New Zealand Invades British Columbia through Alberta

BC Liberals drew both political and policy lessons from New Zealand. That small nation bears a remarkable resemblance to British Columbia, demographically and historically, and its impact on the political and administrative sides of government was significant. Jonathan Boston et al.

³⁸ Respondent F, correspondence with the author, 12 February 2019. In his 2006 report on the botched transfer of child death reviews, Ted Hughes cited a 55 percent cut to the MCFD executive and challenges arising from it. See Chapter 8 for additional detail.

identified key NPM elements that exerted a powerful influence on New Zealand’s public policy from 1984 to 1990. Comparable elements are found in Campbell’s mandate letters and other directives to ministers and are noted in Table 4 below.

Table 4: Comparative New Zealand and BC New Era Reforms

New Zealand	British Columbia
Emphasis on corporate goals, performance targets, and measurement	“Service plans that include measurable performance standards and targets”³⁹
“A preference for private ownership, contracting out, and contestability in public service provision”	“Maximum reliance upon competitive choice in so far as the public interest and consumers are protected.”
“Stress on cost-cutting, efficiency and cutback management”;	“<u>Immediately identify</u> good opportunities to eliminate unnecessary and costly regulation”
“A general preference for monetary incentives rather than non-monetary incentives”⁴⁰	“A 20% hold-back of your Ministerial stipend pending measurable results of your Ministry and the government.”⁴¹
- “Devolution of management control” and “disaggregation of large bureaucratic structures into quasi-autonomous agencies...”⁴²	Creation of BC Land Title and Survey Authority, Consumer Protection BC, and the BC Safety Authority as devolved special purpose, quasi-autonomous agencies.⁴³

New Zealand, like British Columbia, drew on the experiences of Great Britain, the United States, and other jurisdictions. However, New Zealand and its story of decline, in tandem with its

³⁹ *New Era*, 8.

⁴⁰ Boston et al., eds., *Reshaping the State: New Zealand’s Bureaucratic Revolution* (Oxford: Oxford University Press, 1991), 9-11.

⁴¹ All quotes in italics are from Gordon Campbell to George Abbott, 25 June 2001, 1, 2, 5, 7. The final quote in italics is from Gordon Campbell to all ministers, 30 July 2001.

⁴² See also Jonathan Boston et al., *Public Management: The New Zealand Model* (Oxford: Oxford University Press, 1996), 26.

⁴³ The BC Safety Authority is today Technical Safety BC.

playbook for economic recovery, were consistent with and complementary to the emerging BC Liberal narrative.

The David Lange Labour government's radical economic restructuring of the 1980s, and its purported rescue of New Zealand from the economic abyss, were cited as object lessons on more than a few occasions in BC Liberal caucus meetings between 1996 and 2001.⁴⁴ New Zealand's experience not only suggested vital ingredients for New Era reform, but also the pace at which it should be undertaken. Sir Roger Douglas, Minister of Finance in the Lange government, was (like Milton Friedman before him) a prominent exponent of speed as a weapon in public policy reform. He addressed the Alberta Progressive Conservative caucus in 1993.⁴⁵ Although his speech was *in camera*, Douglas likely emphasized a theme he frequently articulated elsewhere: "Speed is an essential part of any reform programme....If action is not taken fast enough, support for the reform process can collapse before the results are evident while the reform programme is only partway through."⁴⁶ Douglas's ideas resonated in British Columbia as well as Alberta.

Douglas emphasized boldness, persistence, and political courage. "Governments need the courage to implement sound policies," he said, "take the pain at the beginning, and be judged on the basis of the good results that follow later."⁴⁷ Douglas's opinion on pace of change was accepted as fact and expressed through well-circulated maxims like "when it comes to government restructuring, you only get one chance to do it right," or "never give your enemies

⁴⁴ The author was a BC Liberal MLA 1996-2001 and attended all caucus meetings whether he wanted to or not. Attendance was obligatory. The relationship between the New Zealand and Alberta (and subsequently BC) experience is discussed in Barry Cooper, *The Klein Achievement* (Toronto: University of Toronto Press, 1996): 64-69.

⁴⁵ Cooper, 65. Douglas was decidedly Friedmanesque on pace of change but no connection was ever acknowledged, a sensible choice for a Labour government minister.

⁴⁶ *New Zealand Herald* on-line, "Roger Douglas: Reflecting on the Fourth Labour Government", 30 April 2004.

⁴⁷ Douglas cited in Cooper, 68

the opportunity to mobilize”, or “everyone who’s been through this says ‘if I had cuts to do again, I’d go bigger, faster and deeper.’”

An excellent story in this vein was provided by Ken Dobell, deputy to the premier, in a speech to public servants that was subsequently leaked to the media. Dobell cited a “very senior” federal public servant who led the downsizing of his ministry by 25 percent: “He said: ‘Going in, I thought it was impossible. In the process, I thought it was really difficult. Now that it is a few years behind me, we should have taken 35 percent.’”⁴⁸ Political discomfort in the short term was cast as small price to pay for long-term economic recovery.

The New Zealand narrative invariably began with a story of decline, subsequently addressed with aggressive restructuring, then ultimately producing miraculous economic turnarounds. This narrative fostered a genuine belief among some BC Liberal politicians that “bigger, faster, and deeper” was the best (or only effective) model for change. Such beliefs contrasted powerfully with those expressed by the Deputy Minister’s Council on receipt of a draft “270 day plan” tendered by the Premier’s Office in January 2002: “All Deputies agreed there are far too many initiatives going on and the system will not be able to sustain the workload (‘system will implode’).”⁴⁹ As further discussed in Chapter 5, any sympathy and understanding for public servants drowning in process simply melted away when confronted by politicians who believed – based on received wisdom from New Zealand, Ontario, and Alberta – that they had only one time-limited opportunity to remake government.

New Public Management had a profound impact on the unfolding of the BC Liberal New Era. However, public servants were not asked to consider and implement NPM within a static

⁴⁸ Cited in Vaughn Palmer, *Vancouver Sun* on-line, 17 November 2001.

⁴⁹ Internal document, “Cabinet Planning Session: the Next Six Months,” 18 January 2002, 1

environment. Part of the challenge in assessing the impact of NPM on the New Era is the complexity and intensity of political and administrative change between 2001 and 2005. Governmental policy agendas are invariably crowded. Even setting aside its NPM dimension, the New Era agenda was extensive and ambitious, predictably straining government's analytic capacity to plan and effectively implement new policies and programs. Governments, to borrow Hugh Heclo's memorable phrase, "'puzzle' as well as 'power'."⁵⁰ In the early days of dramatic tax cuts, the Campbell government enjoyed the luxury of powering. As tax-cut rebound revenues failed to materialize, and as ministries faced demands for dramatic budget cuts, the puzzling began.

Policy Transfer: Learning Lessons from the World

British Columbia is often characterized as "a small, open trading region" particularly in resource-based commodity exports.⁵¹ Before and during the New Era, British Columbia was also an active importer of political ideas, policies, processes, strategies, administrative practices, and institutions. Premier Campbell set the tone in his mandate letters of 25 June 2001, stating that ministries "need to examine the approach being taken in other jurisdictions to ensure we maximize the benefit of others' experience."⁵² As ministries puzzled to meet ambitious New Era goals, they drew on lessons and expertise from around the world. In the twenty-first century, a

⁵⁰ Cited in Peter A. Hall, "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain," *Comparative Politics* (April 1993): 275.

⁵¹ See for example Business Council of BC, *Fiscal & Tax Policy* on-line, www.bcbc.com/publications/fiscal-and-tax-policy?page=2

⁵² Gordon Campbell to George Abbott, 25 June 2001, 6.

potential solution to an intractable problem may just be a computer key stroke away in New Brunswick, New Zealand, or Norway.

British Columbia offered abundant evidence of Dolowitz and Marsh's suggestion that "almost anything can be transferred from one political system to another."⁵³ Case studies from three social ministries presented in Chapters 6, 7, and 8 provide numerous examples of policy transfer aimed at solving domestic problems (and some proved unsuccessful, for reasons detailed in those chapters). "Governments copy other governments," Pollitt and Bouckaert note.⁵⁴ Governments face a host of complex challenges and understanding what works elsewhere helps define policy options. "Policy tourism via the Internet is now in easy reach of most policy-makers," Evans writes, "as the majority of public organizations provide detailed information of their activities on their web sites."⁵⁵ The transfer of a policy or program that has enjoyed apparent success elsewhere confers legitimacy on what otherwise might be dismissed as risky or unproven. "In policymaking circles, experience has a unique status as a justification of effectiveness; it shows that a proposal is not just based upon 'head in the clouds' speculation," writes Richard Rose, a leading scholar on public policy lesson drawing.⁵⁶

An early and excellent example of policy transfer is offered in the BC cabinet minutes of 29 August 2001 where the Minister of Management Services (in the context of a core review report) "was encouraged to look more broadly for examples of shared services in the UK, and in the US (Orange County, California) prior to finalizing his strategic plan."⁵⁷ The Minister of

⁵³ David Dolowitz and David Marsh, "Learning from Abroad: The Role of Policy Transfer in Contemporary Policy-Making," *Governance: An International Journal of Policy and Administration*, Vol. 13, No.1, (January 2000): 12.

⁵⁴ Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis* (Oxford: Oxford University Press: 2011), 4.

⁵⁵ Mark Evans, "Policy transfer," 256.

⁵⁶ Richard Rose, "What is Lesson-Drawing," *Journal of Public Policy* II (1991): 5.

⁵⁷ Cabinet minutes, 29 August 2001, 3. Fortunately the Ministry was not directed to seek investment advice from the latter.

Children and Family Development provided another compelling example. In response to a question posed in legislative debate about delivery of school-based support programs, Gordon Hogg noted that “over 20 models were looked at...in terms of ways of providing those services” based on “research from around the world.”⁵⁸

BC’s interest in exogenous experience was not at all unusual. Evans, for example, notes the extensive two-way policy transfer in a broad range of areas between the Tony Blair (UK) and Bill Clinton (USA) administrations in the late 1990s and early 2000s.⁵⁹ Jurisdictions with strong ideological alignment or with comparable demographic profiles, political cultures, and governmental institutions will be of particular interest (as in the case of New Zealand and British Columbia).⁶⁰

The impetus for policy transfer is entirely unsurprising as jurisdictions “import innovatory policy from elsewhere in the belief that it will be similarly successful in a different context.”⁶¹ All modern governments – municipal, provincial, and federal – learn from the experience of others, a potential “dynamic against insularity and incremental change”⁶² as politicians and officials devise “new approaches to old dilemmas.”⁶³ Just as policies and program details are shared across jurisdictions, so too are ideas and normative beliefs like “tax cuts pay for themselves”. Dolowitz and Marsh describe policy transfer as “the process by which knowledge about policies, administrative arrangements, institutions and ideas in one political

⁵⁸ *Debates*, 31 March 2003, 5798.

⁵⁹ Evans, “Policy transfer,” 258.

⁶⁰ During the period 2005/09, the British Columbia and New Zealand ministries of Health engaged in a formal partnership to learn from one another based on remarkable similarities in demographics and health delivery systems.

⁶¹ Diane Stone, “Learning Lessons and Transferring Policy across Time, Space and Disciplines”, *Politics* 19(1), (1999): 51.

⁶² *Ibid.*, 53.

⁶³ Peter Hall, “Policy Paradigms”, 289.

system (past or present) is used in the development of policies, administrative arrangements, institutions and ideas in another political system.”⁶⁴

The BC Liberal New Era offers abundant evidence of transfer in all areas: policies (for example, limiting receipt of welfare payments to two of five years), administrative arrangements (restructuring service delivery), institutions (government caucus committees, commonly known as GCCs), and ideas (“fixed election dates”), ideologies (“smaller government is better”), and attitudes (“cut bigger, deeper, and faster”). Policy transfer in the New Era was largely a process of emulation where, as Colin Bennett notes, “state officials copy action taken elsewhere,” rather than a negotiated or direct coercive transfer driven by the federal government or other exogenous organizations.⁶⁵ Transfers were not coercive, but many were driven by what Dolowitz and Marsh describe as “perceived necessity,”⁶⁶ typically in response to core review or budget pressures.

The dangers in policy transfer may arise from incomplete or inappropriate transfer: the former occurs when the recipient jurisdiction fails to capture all the elements that made a given policy successful in the original jurisdiction, and the latter when transfers are not consistent with the political values, norms, and culture of the recipient jurisdiction. As Pollitt argues, “contexts matter. What is conceptually supposed to be the same technique or model...may turn out very differently in different contexts.” What is successful in one jurisdiction may fail completely “in another sector or country or at another time.”⁶⁷

⁶⁴ Dolowitz and Marsh, 5.

⁶⁵ Colin Bennett, “Review Article: What is Policy Convergence and What Causes It?” *British Journal of Political Science*, Vol. 21, No. 2 (1991), 215.

⁶⁶ Dolowitz and Marsh, 13.

⁶⁷ Christopher Pollitt, “What do we know about public management reform?” 2.

The BC Liberal New Era offered more than a few examples of failed policy transfer. The Ministry of Community, Aboriginal and Women's Services cast its net widely (and unsuccessfully) for exogenous approaches to social housing that might meet the expectations of Premier Campbell and the core review committee, including a look at the UK's *Right to Buy* program, where council housing was sold off to low-income occupants as part of Margaret Thatcher's policy agenda.⁶⁸ As discussed in Chapter 6, MHR's importation of the "two-years-in-five" rule on welfare benefit collection was highly controversial and ultimately rendered irrelevant by the addition of numerous exemptions as deadlines neared.

As Pollitt suggests, policy transfer may also fail if embraced by the recipient jurisdiction at the wrong time. One policy transfer – a dramatic tax cut in the midst of a weakening economy – lay at the heart of daunting problems facing BC's public servants. Based on the 1990s experiences of Ontario, Alberta, and many other jurisdictions, BC Liberals – most notably their Premier and Finance Minister – presumed that tax cuts would generate economic growth and hence "pay for themselves," even amidst a faltering world economy. They were not first nor the last to embrace that presumption. For example, the State of Kansas more recently introduced dramatic tax cuts for individuals and businesses which would, in the words of Governor Sam Brownback, be "a shot of adrenaline into the heart of the Kansas economy."⁶⁹

Like British Columbia, Kansas enjoyed "the same confident assurances" that a tax cut would "pay for itself" with economic growth."⁷⁰ Contrary to expectations, "overall growth and

⁶⁸ MCAWS also brought in a social housing expert from Ontario. As debate on social housing ground on, MCAWS shrewdly repositioned BC Housing as delivery agent for the *New Era*'s promised 5,000 intermediate care units.

⁶⁹ Cited in Alexandra Thornton and Galen Hendricks, "Kansas 'Real Live Experiment' in Trickle-Down Tax Cuts," *Centre for American Progress* on-line, 2 November 2017. Brownback initiated the cuts in 2012.

⁷⁰ Russell Berman, "You Better Learn Our Lesson," *The Atlantic* on-line, 11 October 2017.

job creation in Kansas underperformed both the national economy and neighbouring states.”⁷¹ Again like British Columbia, tax cuts in Kansas produced larger deficits and major spending reductions for public services.

In 2001, Gordon Campbell did not just think tax cuts would work, he knew they would work.⁷² His brassy confidence led him to believe that tax cuts would work irrespective of the economic environment into which they were introduced. Campbell had learned from Ontario, Alberta and many other jurisdictions that “tax cuts work”, and the bigger the cut, the bigger the return. With bold leadership, British Columbia would show the world that an enlightened jurisdiction really could have “everything at the same time,” including tax cuts. Campbell’s mandate letter direction urged ministers to “look at other jurisdictions” and learn from their experiences. In fact, ministers and ministries looked extensively at other jurisdictions but often with the aim of quickly solving intractable puzzles created by dramatic tax cuts and subsequent demands for deep budget reductions and a balanced budget in 2004. Ministries simply did not have the time for strategic, comparative assessment of programs and jurisdictions.

Chapter 4 aims to answer key questions surrounding New Era tax cuts: did Campbell and his Finance Minister Gary Collins believe that tax cuts would pay for themselves in whole or in part? Were the timing and magnitude of tax cuts designed to create a “burning platform” that would reinforce and underline demands for smaller government? Campbell was undoubtedly a premier in a hurry, as we discussed in Chapter 2. Were tax cuts one more tool in getting to a bigger, faster, and deeper remaking of government?

⁷¹ Howard Gleckman, “The Great Kansas Tax Cut Experiment Crashes and Burns,” *Forbes* on-line, 7 June 2017.

⁷² This sentence mimics one made by Campbell to Frances Bula in 2001. See quote, Chapter 2.

CHAPTER 4

BC'S DRAMATIC TAX CUT: LEAP OF FAITH OR PRETEXT TO HARSH MEDICINE?

"Oh, I didn't see that big black cloud hanging over me" – Traveling Wilburys¹

Gordon Campbell liked boldness. Inspired by the German poet Goethe, he told a BC Liberal convention in October 2001: "Whatever you do or dream you can do, begin it. Boldness has genius, power, and magic in it."² As the Premier-designate and his soon-to-be finance minister Gary Collins eagerly awaited inauguration after the 2001 election, a decision on tax cuts was at the top of their agenda. Both genuinely believed in the efficacy of tax cuts; the question was whether to go bold or go cautious. They chose bold at 25 percent. When Campbell defined the "dramatic" in "dramatic tax cut" as 25 percent, he also defined – inadvertently or otherwise – the face of his government for the next four years.

Campbell and Collins also chose to "begin it" quickly on tax cuts -- on their first day in office. The new Premier was far from apologetic about the speed of the announcement. A dramatic tax cut had been promised "within 90 days" and in "the first day on the job we provided every British Columbian with a dramatic personal tax cut."³ Campbell had indeed promised a dramatic tax cut during the campaign, but the only specific campaign commitment was to "cut the base personal income tax rate to the lowest rate of any province in Canada for the bottom two tax brackets, on the first \$60,000 of income, within our first term." The *New Era* platform also promised to conduct "a comprehensive audit of the Province's finances within 90 days and make

¹ Traveling Wilburys, "Heading for the Light", *Traveling Wilburys Vol. 1*, 1988.

² Cited in Will McMartin, "Fiscal Fictions," *Liberalized*, 153. Campbell aimed to assure gathered Liberals of the genius of his tax cuts, notwithstanding the harsh reality of deep budget cuts emerging in October 2001.

³ Craig McInnes, *Vancouver Sun* on-line, 7 June 2001.

the results public,”⁴ presumably so informed decisions might be made on the magnitude and timing of any cuts.

So why did Campbell and Collins deliver on “day one” when they could have waited for, as one option, advice from their surrogate auditors, better known as the Fiscal Review Panel (tendered 23 July 2001) or, alternatively, Collins’s Fiscal Update on 30 July 2001 and hence enjoying the benefit of more time and experience?⁵ They obviously wanted to go bold and dramatic on the tax cut and may have suspected that the Panel, largely comprised of accountants, might counsel caution given prevailing economic conditions (and in fact caution was counselled). Campbell and Collins believed a bold signal was needed straight out of the gate. In Collins’s words: “Today’s announcement puts the rest of the country and the rest of the world on notice that British Columbia is competitive again – we are open for business.”⁶

During the election campaign, Campbell consistently argued that “it would be irresponsible for me to suggest what the tax cut will be until I know what the status of the books are [sic]”.⁷ As is customary in the circumstance, Campbell and Collins received confidential briefings from the Ministry of Finance during the interregnum. Public opinion polling universally pointed to a BC Liberal victory in 2001 so unsurprisingly the Ministry took a close look at the “dramatic tax cut” promise. “Before the election,” respondent J notes, “the Ministry of Finance did a lot of work on whether tax cuts pay for themselves and there was virtually no

⁴ *New Era*, 5, 8.

⁵ The Panel was appointed by Campbell on 25 May 2001, during the interregnum before inauguration of the new government on 5 June 2001. Will McMartin, “Conjuring a \$5 Billion ‘NDP’ Deficit,” in *Liberalized*, 124. See Chapter 2 for more on the Fiscal Review Panel.

⁶ Cited in Chad Skelton, *Vancouver Sun*, 7 June 2001, 2.

⁷ Cited in Will McMartin, *The Tyee* on-line, 14 May 2005.

credible evidence that they do.”⁸ Consultations with experts and other jurisdictions did nothing to lessen tax cut skepticism, particularly given sharp economic decline since 15 March 2001.

The general content of Finance briefings can be discerned from reports generated by the Fiscal Review Panel (July 2001) and by BC’s Auditor General (January 2002). Both pegged the outgoing NDP government’s year-end balance on 31 March 2001 as a surplus of approximately \$1.5 billion built on “a legitimate but one-time gain of \$1.4 billion due to the change of public sector pension plans to a joint trusteeship basis.”⁹ Both reports also expressed concerns that 2000/01 revenues relied on “high energy prices” which were “not expected to last.”¹⁰

Collins’s Fiscal Update of 30 July 2001 confirmed the economic malaise. He stated that the “economic outlook for the United States, Europe and Asia has weakened, and that has had a negative effect on British Columbia’s exports including energy and electricity. *Since March 15* [author’s emphasis] we have seen our revenues decline by \$1.85 billion....” Notably, revenues had been in decline for at least three months prior to the 6 June 2001 tax cut announcement. In short, the “dramatic” tax cut decision was made at a time when “the books” (setting aside the one-time transfer of \$1.4 billion) were very close to balanced, but key economic indicators (like energy prices) were unfavourable.

For a decision which held such potentially sweeping consequences, the decision-making circle was exceedingly narrow. Martyn Brown, Campbell’s chief-of-staff throughout the New Era, recalled in a 2013 interview that he was “quite astounded” to learn that the 25 percent tax

⁸ Respondent J also noted: “Saying that taxes were cut and revenues increased does not mean that the tax cuts paid for themselves because the relevant metric is how much revenue would have been raised if taxes were not cut.” Correspondence with the author, 13 December 2018.

⁹ The Panel’s words but consistent with the Auditor General’s summary. Gordon Barefoot et al., *Report of the British Columbia Fiscal Review Panel*, 23 July 2001, i.

¹⁰ The Auditor General’s words but consistent with the Fiscal Review Panel report. Office of the Auditor General of BC, *Monitoring the Government’s Finances, Province of British Columbia 2001/2002*, January 2002, 30.

cut would apply across all income brackets, well beyond the campaign pledge for the lowest tax rate for the bottom two income-tax brackets by 2005. “I was a most nervous Nelly,” said Brown, “because of what it obviously inferred for spending cuts that I knew would invite much more long-term political pain than any short-term gain those cuts might offer.”¹¹

Brown was not alone in his astonishment regarding the immediacy of the cut, its magnitude, and application to all tax brackets. Among the critics was columnist Les Leyne who argued that BC Liberals “came into office, had a cursory review of the books based on some quick briefings by Finance Ministry officials, and then slammed into place a tax cut that dwarfs anything ever attempted before in this country, even before the independent review of the books is done.”¹² Did the Premier and his Finance Minister believe that tax cuts would “pay for themselves” regardless of the economic and fiscal situation?

Reporter Chad Skelton framed the critical question well: “It’s the billion dollar question: Can tax cuts stimulate the economy so much they pay for themselves?”¹³ The *Vancouver Sun* reported “provincial treasury officials” as saying “their financial models show the tax cuts would punch about a \$1 billion hole in the budget delivered in late March.”¹⁴ Confronted with that suggestion, Campbell argued: “Without exception, audited financial statements have shown these tax cuts have produced significantly higher tax revenues over time as the economy grows.” He cited experience from several corners of the globe and declared: “There is no reason to expect in British Columbia and only in British Columbia, when you cut personal income tax somehow or other you’re not going to generate the revenue.”

¹¹ Doug Ward, “BC Liberals’ 12 Years of Tax Shifts, Explained,” *The Tyee*, 6 May 2013, 2.

¹² Les Leyne, *Victoria Times-Colonist* on-line, 9 June 2001.

¹³ Chad Skelton, *Vancouver Sun*, 7 June 2001, 1.

¹⁴ *Ibid.*, 2.

Jason Clemens, director of fiscal studies at the Fraser Institute, supported Campbell's claim: "My hypothesis would be the decrease in marginal rates will spur entrepreneurship and innovation. If you decrease tax rates, you increase revenues."¹⁵ Helmut Pastrick, chief economist for the BC Central Credit Union, was more cautious. He anticipated that the tax cuts would boost the economy by 0.3 and 0.7 percent in the following two years, but with caveats around evident recessionary pressures internationally. He anticipated five years would be needed for the tax cuts to pay for themselves.¹⁶ A reporter asked Campbell what a longer-term payback might mean for budgets, public service employment, and debt. He responded: "We'll cross that bridge when we come to it," before repeating his assertion about the efficacy of tax cuts in Canada and abroad.¹⁷

The tax cut was notable for its distribution as well as its magnitude: cuts were provided to the top three tax brackets (25.9, 25.2, and 24.9 percent respectively, starting from the top) as well as for the bottom two brackets (28 percent for both).¹⁸ Vaughn Palmer challenged Campbell on the seemingly sudden inclusion of the top three tax brackets within the package after persistently dismissing NDP pre-election claims that he was secretly planning tax cuts for "the rich". Campbell denied the suggestion but, in Palmer's words, "was unable to cite any new information that has come his way since the election that would justify the sudden expansion in his tax-cutting intentions."¹⁹

¹⁵ Both Campbell and Clemens were cited in Skelton, *Vancouver Sun*, 7 June 2001, 1.

¹⁶ Chris Sorenson, *Vancouver Sun*, 8 June 2001, 1.

¹⁷ Susan Danard, *Victoria Times-Colonist*, 7 June 2001, 1.

¹⁸ BC, Ministry of Finance, news release and backgrounder, 6 June 2001. Annual savings by bracket showed the two lowest earning brackets saving \$236 and \$430 annually versus \$1,483 and \$1,947 for the two highest income brackets. See also Sylvia Fuller and Lindsay Stevens, "Cost Shift: How British Columbians are paying for their tax cut", Canadian Centre for Policy Alternatives BC Office, 4 July 2002, 8.

¹⁹ Vaughn Palmer, *Vancouver Sun* on-line, 7 June 2001. Campbell did offer an argument around "skilled" British Columbians being flight risks to lower-taxed jurisdiction. See discussion in next section below.

The new cabinet was briefed on the tax cut at their inaugural meeting on 6 June 2001, in advance of the “announcement to be made that afternoon.”²⁰ The good news was tendered to cabinet for information, not debate; the scope and even the finer details of the tax initiative had clearly been determined before cabinet received it.²¹ Collins was within legal and constitutional bounds delivering news of the tax cut when and how he did -- finance ministers carefully preserve their unique right to deliver taxation measures. However, the decision offered neither consultation nor transparency; nor, in the days that followed, were there extensive demands for same. The 25 percent tax cut was popular with the public and with cabinet.²² Had ministers (or the public for that matter) known that the twenty-five percent tax cut would quickly translate into cuts of up to forty-five percent in ministry budgets, enthusiasm may have been greatly tempered.

Any ministerial euphoria was short-lived. Cabinet minutes of 27 June 2001, just three weeks after the tax cut announcement, had the Premier declaring “that getting costs under control was at the top of government’s agenda. If Ministers were going to come with a new program, they should come with the plan to find the dollars to pay for the program.”²³ Collins reiterated the point: “Don’t even think of coming to treasury board with any new programs unless you figure out how you are going to pay for it within your own budget.”²⁴ The cheery tone and

²⁰ Cabinet minutes, 6 June 2001, published by *The Breaker* on-line, 1 September 2017, courtesy of a freedom of information request tendered by reporter Bob Mackin.

²¹ Appended to the tax cut press release were two pages of charts detailing the impact on each of BC’s five income tax brackets, noted in footnote 16, as well as on comparative provincial rates, and on details of implementation. Ministry of Finance news release, “Government honours tax cut promise,” 6 June 2001.

²² In an Ipsos-Reid poll conducted in early September 2001, BC Liberal approval rating stood at 62 percent, up four percent from election day. Campbell’s personal approval rating was 70 percent. Jim Beatty, *Vancouver Sun* on-line, 22 September 2001. Tax cuts were ostensibly still paying for themselves at that point.

²³ Cabinet minutes, 27 June 2001, 2.

²⁴ Cited in Vaughn Palmer, *Edmonton Journal* on-line, 28 August 2002. Collins was reported as delivering the line at a cabinet meeting in the first month in office.

boundless horizons that characterized the *New Era* document and the dramatic tax cut quickly surrendered to preoccupation with the fiscal “bottom line”.

Tax Cuts: Let the Debate Begin!

Economic historian Bruce Bartlett traces the debate around tax cuts as an economic stimulus back to a tract entitled *The Muqaddimma* written in 1377 by Muslim philosopher Ibn Khaldun. Khaldun argued that “at the beginning of a dynasty, taxation yields a large revenue from small assessments. At the end of the dynasty, taxation yields a small revenue from large assessments.” Consistent with the core premise of the contemporary “Laffer curve,” overtaxation inhibits initiative and investment but when “tax assessments and imposts upon the subjects are low, the latter have the energy and desire to do things.”²⁵ Khaldun found expression over 600 years later in the BC Liberal *New Era* when the new Premier was confronted by questions about the unexpected extension of tax cuts to the more affluent. Such cuts were necessary, Campbell argued, to “keep skilled British Columbians from fleeing to lower-taxed jurisdictions.”²⁶ His comment was consistent with the *New Era* narrative that “[h]igh taxes, over-regulation and hostile business policies have driven workers and employers out of our province.”²⁷

Debate around optimal levels of taxation have continued since the inception of income taxes in the early twentieth century. “Long before Laffer drew his famous curve,” Bartlett writes, “it was well established, historically and theoretically, that tax rates may be so high as to

²⁵ Cited in Bruce Bartlett, “The Laffer Curve, Part One,” *Tax Notes* on-line, Vol. 136, No. 3 (October 2012): 1207. The Laffer curve is a product of American economist Arthur Laffer.

²⁶ Cited in Chad Skelton, *Vancouver Sun*, 7 June 2001, 2.

²⁷ *New Era*, 10. The document claimed more than 43,000 had left BC since 1997 along with 469 businesses between 1994 and 1999.

diminish revenue and that a rate reduction could raise revenue. The real question has always been where we are on the curve.”²⁸ The BC Liberal narrative, developed over a decade in Opposition, was that NDP overtaxation inhibited investment. As Campbell declared in his introduction to the *New Era* document: “We can cut personal income taxes and unleash the power of a thriving free enterprise economy.” Lower taxes meant “more jobs, more taxpayers and ultimately more revenue to improve the public services you want and need.”²⁹ The real question was, to paraphrase Bartlett, where was British Columbia on the conceptual curve between overtaxation and undertaxation? And what would that positioning mean in the context of a declining economy?

Tax cuts were vigorously debated in the months and years leading up to the 2001 election. On 31 March 1998, the NDP government introduced its own version of tax cuts for individuals and businesses, valued at \$415 million over three years. Opposition leader Gordon Campbell responded that “drastic, bold action” was needed and “he would have introduced a 10 or 15 percent tax break.”³⁰ The NDP claimed that tax cuts of such magnitude would severely undermine social services, but Campbell maintained that “tax cuts will spark economic growth, creating billions in revenues.”³¹ The New Democrats clearly believed that the BC Liberal commitment to deep tax cuts was a potential vulnerability for the latter. The NDP’s 2001 Throne Speech asks: “What comes first – public health care and education or dramatic tax cuts?” The NDP’s answer was unequivocal: “We can’t have more public health care, better education

²⁸ Bruce Bartlett, “The Laffer Curve, Part Three,” *Tax Notes*, Vol.137, No. 1, October 2012, 76.

²⁹ *New Era*, 2, 5.

³⁰ Justine Hunter and Jim Beatty, *Vancouver Sun* on-line, 31 March 1998. NDP Finance Minister Joy MacPhail’s tax cut to individuals was about one percent but in combination with a variety of other tax breaks.

³¹ Jim Beatty, *Vancouver Sun* on-line, 19 April 1999.

and balanced budgets and also have dramatic tax cuts. My government believes that the public services that families rely on must come first, not tax cuts.”³²

As Opposition finance critic, Gary Collins was an ardent defender of tax cuts. When public sector unions raised concerns regarding tax cuts with the Legislature’s Finance Committee in 2000, Collins claimed he had canvassed every Canadian jurisdiction over the past five years and “in no place where provincial income tax was reduced, has there been a drop-off in revenues.”³³ Collins and his colleagues were far from alone in their tax cut confidence. In the campaign preceding the federal election of 27 November 2000, the governing Liberals and the dominant opposition party, Canadian Alliance, offered dueling tax cut promises of \$100 billion and \$134 billion respectively, both over five years.³⁴ Further, those promises came on the heels of the federal Liberal government’s “getting government right” program review of 1994-97 (in many ways a model for Campbell’s core review of 2001-04 as detailed in Chapter 5).³⁵ “Getting government right” involved harsh retrenchment for some federal ministries and programs but that dissuaded neither Chretien’s Liberals nor their opposition from embracing tax cuts.

David Bond, former chief economist of HSBC Bank Canada and no fan of the NDP, prompted Collins’s ire by publicly questioning the efficacy of potential tax cuts a few months prior to the 2001 election: “They [the New Democrats] took nine years to destroy the provincial economy. You can’t turn a supertanker on a dime.” Bond supported tax cuts in theory, but not in the context of a weak economy. The probable consequence of a tax cut, Bond believed, was at

³² British Columbia, *Debates of the Legislative Assembly* (hereafter *Debates*), 14 March 2001, 17328.

³³ Vaughn Palmer, *Vancouver Sun* on-line, 22 November 2000.

³⁴ Andre Blais, *Anatomy of a Liberal Victory: making sense of the vote in the 2000 Canadian Election* (Peterborough: Broadview Press, 2002), 22.

³⁵ The process was chaired by Marcel Masse, President of Treasury Board during the period. His concluding report of 1997 was entitled *Getting Government Right – Governing for Canadians*, published by the Treasury Board of Canada and available on-line at www.tbs-sct.gc.ca/report/gfc-gpc/gfc-gpc01-eng.asp

least a short-run deficit. In Bond's view, the Harris government's tax cuts had succeeded because "the American economy was booming," unlike the situation British Columbia was facing in 2001: "I said if you cut taxes and expect the same kind of hit as Harris got, you're nuts. I said don't expect a miracle."³⁶ In turn, Collins challenged Bond to "prove" that tax cuts "would precipitate a drop in government revenues."³⁷ Consistent with his comments in 2000, Collins argued that in "every jurisdiction in Canada which has reduced personal income tax rates in the last five to six years there has been no significant drop-off [in revenues] and the ones that have cut the most, like Alberta and Ontario, have seen the biggest increases in revenues."³⁸

David Bond was not alone within the ranks of the skeptics. The problem, as columnist Les Leyne pointed out, was that "all the examples they point to are jurisdictions where tax cuts coincided with an economic boom. There's no perfect experiment to measure the impact in the absence of other factors."³⁹ Leyne proved remarkably prescient in his assessment of tax cuts, six months before the 2001 election: "If they [BC Liberals] cut taxes and there is no corresponding economic boom, then they'll be left with a giant hole in their revenue picture, one that by law they'll have to fill in, as a balanced budget will be mandatory."⁴⁰

No such gloom populates the *New Era* document; it prominently features a graph summarizing Ontario tax and revenue results from 1996 to 2001, suggesting that tax cuts are anything but fiscally reckless. The graph shows the basic income tax rate declining from 58% in 1996 to 38.5% in 2001 and provincial income tax revenue growing from \$15.6 to \$18.9 billion

³⁶ Vaughn Palmer, *Vancouver Sun* on-line, 12 January 2001.

³⁷ Palmer, *Vancouver Sun* on-line, 8 October 2015.

³⁸ Cited in McMartin, "Fiscal Fictions," in *Liberalized*, 141.

³⁹ Les Leyne, *Victoria Times-Colonist* on-line, 16 January 2001. From an economics perspective (courtesy Dr. Brant Abbott of Queen's University), every change in tax policy is enacted in its own circumstances, making it difficult and perhaps impossible to tell the difference between effects due to tax change, and effects due to surrounding circumstances.

⁴⁰ Leyne, *op. cit.*.

over the same period. Just as importantly, the graph shows year-over-year growth in revenues with only one modest decline of \$100 million in 1998. The Ontario experience appeared to confirm (or at least conform to) the central premise of the Laffer curve, that high levels of taxation stifle economic growth thereby reducing revenues to government; conversely, tax cuts trigger economic growth that produces new revenues, more than offsetting initial losses.⁴¹ Or, as the *New Era* document claimed: “Provinces like Ontario have proven that lower personal income taxes lead to *higher* revenue – not less [emphasis in original].”⁴²

Prior to the 2001 election, Campbell was entirely dismissive of the possibility that tax cuts could prompt a deficit and concomitant fiscal restraint: “If I thought we were going to reduce a billion and a half in revenue because we were giving people back a tax cut, then that would be a real issue. I don’t believe that happens.”⁴³ Campbell’s belief proved unwarranted as, alas, David Bond proved correct in disparaging the prospects of a quick economic turnaround: tax cuts would not be paying for themselves any time soon.⁴⁴ So was the spectre of looming expenditure reductions a product of misreading BC’s tax competitiveness within the global economy, or a pretext for “starving government” through a self-induced “burning platform”?

⁴¹ The Laffer curve is a product of American economist Arthur Laffer and it remains a theory hotly debated in Donald Trump’s America.

⁴² *New Era*, 5. Faith in the infallibility of the Laffer curve may have been further elevated by Owen Lippert’s *Change and Choice: A Policy Standard for British Columbia* (The Fraser Institute, 1996): 6.

⁴³ Cited in Vaughn Palmer, *Vancouver Sun* on-line, 21 November 2001. Tax cuts actually cost close to \$2 billion.

⁴⁴ Bond delivered a stinging rejoinder in late 2001: “I could be tempted to say, ‘I told you so,’ but I shouldn’t. After all, Mr. Collins, who was saying there wouldn’t be any deficit, is a certified flight instructor and all I’ve got is a PhD in economics.” Recounted in Vaughn Palmer, *Vancouver Sun* on-line, 8 October 2015.

Faith in Tax Cuts Did Not Die Quickly or Easily

The Finance Minister's Economic and Fiscal Update of 30 July 2001 was his first formal "state of the province" address to the Legislature since the election. As with an annual budget speech, words in a fiscal update are chosen carefully. Collins reconfirmed what he and the Premier had announced on their first day in office, a twenty-five percent personal income tax cut. He also announced a series of tax changes "designed to increase investment" including elimination of the corporate capital tax on non-financial institutions, a decrease in the corporate income tax rate, and a reduction in sales tax on production machinery and equipment. Together they comprised a "made in BC" tax stimulus package representing approximately two billion dollars per year in relinquished revenues to government, absent a Laffer curve revenue rebound through new economic growth. He also reported that the economic outlook for the United States, Europe and Asia had weakened, resulting in weaker BC exports and declining revenues to government.⁴⁵

Campbell and Collins were not victims of a sudden economic shift following their tax cut announcement of 6 June 2001. Since 15 March and perhaps earlier, economic indices pointed downward toward minimal or even negative growth⁴⁶ and declining revenues. With or without a tax cut, the incoming government would be facing substantial deficits in its first year or two in office. Given that environment, Ministry of Finance modelling predicted only a ten percent return on tax cuts in the first year.⁴⁷ Collins believed the model underestimated the beneficial impact of tax cuts and "I expect we will see better [results] than that."⁴⁸ Colleagues like Deputy

⁴⁵ *Debates*, 30 July 2001, 132. As a consequence, government's revenues had declined \$1.85 billion over the four-month period since 15 March 2001.

⁴⁶ Growth was 0.6 percent in real GDP and -0.3 percent in GDP per capita. Michael Butler, *A brief examination of the British Columbia government's spending and revenue record*, 18 April 2017, 17.

⁴⁷ Vaughn Palmer, *Edmonton Journal* on-line, 28 August 2002.

⁴⁸ Gary Collins cited in Vaughn Palmer, *Vancouver Sun* on-line, 31 July 2001. Collins also appeared to discount the warning issued a week earlier by the Fiscal Review Panel that "economic growth could be lower than expected,

Premier Christy Clark also remained true believers (at least as of 2 August 2001): “In every jurisdiction where personal income tax cuts have been tried, they’ve worked. It’s meant more revenue to government from personal income taxes.”⁴⁹

Despite the impact of foreign markets on provincial exports, Collins was convinced that the appropriate remedy for fiscal woes would be developed domestically: “Number one, we need to make our tax system competitive, as our first step to revitalizing economic growth. Number two, we have to bring some discipline to spending...”.⁵⁰ To light the path for future spending discipline, the Update brought immediate spending reductions of \$50 million, much of it from social programs administered by the Ministry of Community, Aboriginal and Women’s Services (MCAWS).⁵¹

Collins’s Update offered some residual optimism around the efficacy of tax cuts as a stimulus to job creation and investment: “Already people are seeing our province in a new light. Business confidence is up dramatically and so is consumer confidence... We believe this confidence will translate into growth of 3.8 percent in our economy next year.” The 3.8 percent growth figure was sharply at odds with projections from the Ministry of Finance but was not drawn from thin air. Senior private-sector financial advisors to Campbell and Collins remained far more optimistic on the efficacy of tax cuts than David Bond. Not surprisingly, none have come forward to claim credit for the 3.8 percent growth projection.

especially if the United States economy and/or the economy of the rest of Canada do not perform as well as expected.”

⁴⁹ *Debates*, 2 August 2001, 240.

⁵⁰ *Debates*, 30 July 2001, 132.

⁵¹ \$16 million from child care, \$7 million from communities, cooperatives and volunteers, \$6 million from social housing (all under MCAWS), \$9 million from environmental initiatives, and \$8 million from labour market programs. Vaughn Palmer, *Vancouver Sun* on-line, 31 July 2001.

Notwithstanding the bleak international picture, Collins believed that BC would buck the trend as a direct response to the tax cut “message here at home and around the world that B.C. is back...”.⁵² Collins’s optimism was shared by the Premier’s Office. In a letter to all deputies on 23 July 2001, Deputy to the Premier Ken Dobell noted that the “scale of the deficit” identified by the Fiscal Review Panel (\$3 billion, not inclusive of the 30 July tax cuts) was apt to “cause some anxiety within the public service” and “require very tight management of expenditures, and likely program reductions”, nevertheless “government anticipates that its program of tax cuts will result in significant economic improvement, and thus higher revenues...”.⁵³

On 30 July 2001, Collins and Campbell remained confident in the wisdom of “going bold” with a 25 percent personal tax cut; indeed, they “doubled down” (to employ an appropriate gambling metaphor) with comparable reductions in corporate taxes as noted above. Consistent with the *New Era* narrative, they believed that NDP overtaxation had British Columbia poised for a Laffer curve rebound.

Tax Cuts Worked Throughout the World. Why would BC be any Different?

Gordon Campbell’s British Columbia offered a somewhat different test of the Laffer curve than Mike Harris’s Ontario. Harris promised a thirty percent income tax reduction but over three years, providing some opportunity to adjust in response to emerging conditions.⁵⁴ In contrast, the BC Liberal two billion dollar tax cut package – personal and corporate – kicked in during the

⁵² *Debates*, 30 July 2001, 134.

⁵³ Dobell to deputies, 23 July 2001.

⁵⁴ As the Ontario graph demonstrates, the reductions were phased across five years. *New Era*, 5.

2001/02 fiscal year.⁵⁵ Collins argued that without tax cuts, British Columbia would “wither away and end up being a have-not province without the economic strength to support the quality of social programs that everybody wants to provide.”⁵⁶ But what would be the fate of those same social programs, barring prompt and dramatic revenue returns as anticipated by the Laffer curve?

Ontario’s tax cuts enjoyed propitious timing, coincident with strong economic growth across much of the world. The province enjoyed average annual real GDP growth of 4.7 percent from 1996 through 2000. Ontario Finance Minister Jim Flaherty boasted in 2001 that his province’s “growth was much stronger than that of any G-7 nation and was also the fastest-growing economy in Canada,”⁵⁷ a stark contrast to BC’s faltering economy in 2001.

Just five weeks after the 30 July Fiscal Update, confidence in the magic of tax cuts was beginning to fade. “We don’t have an exact number,” Collins told reporters on 4 September, “but I wouldn’t be surprised to see it [economic growth] come down a full point, perhaps more, depending on what we see develop over the next number of months.”⁵⁸ In his quarterly budget update ten days later, brassy confidence in the relationship between tax cuts and immediate economic growth was replaced by the assertion that tax cuts put British Columbia “in a position to benefit when the global economy turns the corner.”⁵⁹ In 2001, the Ministry of Finance estimated that each point of economic growth yielded about \$250 million in revenue.⁶⁰ As the anticipation of 3.8 percent growth was supplanted by the harsh reality of 0.6 percent growth, the

⁵⁵ The Finance Minister noted that most taxpayers would enjoy full benefit of the tax cut effective 1 July 2001. *Debates*, 8 August 2001, 325.

⁵⁶ *Debates*, 30 July 2001, 132

⁵⁷ James M. Flaherty, *Ontario’s Economic Outlook and Fiscal Review* (Toronto: Queen’s Printer, 2001), 5.

⁵⁸ Gary Collins, cited in Vaughn Palmer, *Vancouver Sun* on-line, 5 September 2001.

⁵⁹ Gary Collins, cited in Palmer, *Vancouver Sun* on-line, 14 September 2001.

⁶⁰ Vaughn Palmer, *Vancouver Sun* on-line, 23 September 2001

implications were not lost on Vaughn Palmer, who noted that “the Liberals will have to rely, more than ever, on their review of government spending.”⁶¹

British Columbia did not enjoy the immediate revenue rebound suggested by the *New Era*’s Ontario graph. BC’s revenues, in contrast, declined precipitously, partially as a consequence of lost revenues from tax cuts. BC’s tax cuts did not coincide with strong growth in provincial, national, and world economies, nor would tax cuts induce sufficient domestic initiative and investment to produce a made-in-BC recovery. Collins believed tax cuts delivered a powerful “message here at home and around the world that B.C. is back...”⁶² World financial markets appeared insensitive or indifferent to that signal. Growth of 0.6 percent fell far short of expectations, provoking subsequent social as well as financial consequences.

Tax cuts in combination with revenue losses and new spending produced a yawning chasm of \$4.4 billion. In the absence of Laffer curve rebound revenues, that chasm could only be filled by cuts to the thirty percent of government that was not Health, Education, or Advanced Education. “Not for five years,” Palmer notes, “did the income tax proceeds climb back to the earlier level and the cuts, thereby, as the Liberal rhetoric had it, ‘pay for themselves’.”⁶³ The giant hole in the budget created by dramatic tax cuts would indeed be filled, not by tax cut rebound revenues, but by dramatic expenditure reductions.

⁶¹ Palmer, *Vancouver Sun* on-line, 14 September 2001.

⁶² *Debates*, 30 July 2001, 134.

⁶³ Palmer, *Vancouver Sun* on-line, 8 October 2015.

Were Tax Cuts Part of a Prescription for Self-Induced Austerity?

The historical record suggests that Campbell and Collins expected a stronger positive economic response to tax cuts and a made-in-BC recovery. Collins stuck his neck out with his 3.8 percent economic growth prediction and would not have done so without such expectations. When Joy MacPhail challenged his prediction, Collins argued that even “in the terrible economic and investment climate that the members opposite created last year our economy grew by 3.8 percent. I think we can manage that....”⁶⁴ The prospect that a BC Liberal government might somehow underperform an NDP government in the economic arena was unimaginable to Collins, hence his bold prediction. However, the historical record also suggests that Campbell may have expected some lag before tax cuts “paid for themselves” and may have seen some advantage in that prospect.

MacPhail attempted in Premier’s Estimates on 5 March 2002 to establish a causal linkage between budget cuts and core review outcomes. Campbell steered clear of a direct answer but importantly noted: “I really think that in times where there is economic constraint...and when we are facing the deficit that we are facing, that’s *exactly the time* when you should be looking at what the critical services are that government provides. You make sure that you’re providing the critical services *within the affordability framework* that you have [author’s emphasis].”⁶⁵ Campbell’s response appeared to suggest that a \$4.4 billion deficit was precisely the “burning platform” he had envisioned. Or, alternatively, was this just an example of the “public Campbell” that Frances Bula earlier described as “one who seems utterly incapable of admitting a fault,” in this case a severe misreading of the potential for tax cut rebound revenues?

⁶⁴ Cited in Vaughn Palmer, *Vancouver Sun* on-line, 5 September 2001.

⁶⁵ *Debates*, 5 March 2002, 1517.

Ken Dobell, Deputy Minister to the Premier, in a closed-door (but subsequently leaked) breakfast speech to public servants reinforced Campbell's theme of cutbacks as a virtuous necessity: "We have this marvellous budget crunch. I'm sure folks would argue – well, this government would argue, at least -- we're 10 years behind everybody else. We have the misfortune to be doing it [budget reduction] now, but nevertheless we have to do it."⁶⁶ Dobell articulated (obviously inadvertently) the belief that underlined core review: British Columbia must undertake a thorough cleansing of wasteful and unnecessary programs and services, just as New Zealand, Ontario, and Alberta had already achieved. Based on Campbell and Dobell's responses, and on the early inclusion of core review within mandate letters of 25 June 2001, the drive for smaller government was obviously coming regardless of the fiscal environment.

Christopher Pollitt argues that "austerity eases reform, because it can be used by astute policymakers to create an atmosphere of crisis in which it becomes possible to consider a wider range of more radical reforms than would usually be admissible in 'normal times'."⁶⁷ So were tax cuts designed to create a resource-deprived environment that would drive smaller government through core review? Was Campbell the latest exponent of never wasting a perfectly good, self-induced crisis? In short, as one former public servant suggested, were tax cuts designed to create "a burning platform" that demanded action?⁶⁸

My first conclusion – based on Campbell and Dobell's comments regarding cutbacks as virtuous necessity – is that self-induced austerity, via deep tax cuts, aimed to underline the imperative of smaller government through core review. My second conclusion -- based on the

⁶⁶ Cited in Vaughn Palmer, *Vancouver Sun* on-line, 17 November 2001. The speech was surreptitiously recorded and leaked to media.

⁶⁷ Christopher Pollitt, 7. See also Pollitt and Bouckaert, *Public Management*, 27.

⁶⁸ Respondent D, interview with the author, 16 November 2018.

3.8 percent growth optimism that Campbell and Collins appeared to nurse until September – is that their metaphorical burning platform became a greater conflagration than they hoped or feared. Tax cuts proved far less efficacious in reversing BC’s economic challenges and hence “paying for themselves” than they anticipated.⁶⁹

The terrorist attack in New York on 11 September 2001 threatened to further escalate existing world and local economic problems (and perhaps provide some indirect and inadvertent cover for the failure of tax cuts to promptly pay for themselves). Collins’s first quarterly report for 2001/02 released two days after “9/11” finally acknowledged the reality of deep spending cuts, noting government had “some difficult and possibly unpopular decisions to make over the next few months”⁷⁰ He contemplated no course change on tax cuts in response to those tragic events. In a “message sheet” entitled “Message for use by Ministries” on 18 September 2001, Collins acknowledged that the “global economy is slowing and this has impacted BC,” but the essential remedy was “act now to bring the deficit down and get spending across government under control.” Curbing the deficit would require “difficult and unpopular decisions” and “short-term discomfort” but short-term pain was the price of long-term gain through “a stronger economy and affordable, healthy social programs.”⁷¹

Collins offered a further update on provincial finances in early October at an Open Cabinet meeting in Penticton. He reiterated the bleak forecast of declining revenues and growing deficits, then introduced ministers to another dark subject: the budget target review.

⁶⁹ Could the apparent faith in initial growth projections simply have been a smokescreen to mask an overt drive for budget cuts and smaller government? The author’s long experience with Collins (including five years as his deputy house leader) suggests that the Finance Minister’s belief in the efficacy of tax cuts was genuine and he would not have risked the potential embarrassment of a 3.8 percent growth prediction had he not believed it possible.

⁷⁰ McMartin, “Fiscal Fictions,” 151.

⁷¹ Ministry of Finance, “Message for use by Ministries”, 18 September 2001, 1.

Budgets for all ministries with the exception of Health, Education, and Advanced Education would be reduced by an average of 35 percent. The Premier had earlier directed ministries to prepare scenarios involving 20, 35, and 50 percent reductions – but not in anticipation of better or poorer times: “Collins’s unhappy little chart made clear that the cuts would have to average out at 35 percent. If one ministry gets away with 20 percent, another will face a bigger cut to make up the difference.”⁷² Thus the table was set for “a far more ambitious program of fiscal restraint than was undertaken by the Bill Bennett Socreds in 1982-85.”⁷³ Public confirmation of pending deep cuts came in the Throne Speech of 12 February 2002.

The Throne Speech of 2002 Reconfirms a Continuing Dose of Harsh Medicine

The Throne Speech of 2002 was an early opportunity for the new government to lay out its vision in a comprehensive way. Throne speeches are heavily and predictably scrutinized by the media and the public for hints of what may be coming; in addition to a government’s long-term vision, one may also discern its political agenda for the year ahead and its prescription for achieving that agenda. Throne speeches often foreshadow the dominant messages – good or ill – that are apt to appear a week later in a budget speech. The 2002 Throne Speech was no exception.

The Throne Speech had a huge gap to bridge. Only eight months earlier, Gordon Campbell and the BC Liberals had promised *A New Era of Hope and Prosperity*, a rescue plan to move from the ostensibly dark days of NDP waste and incompetence to sunnier times under new leadership. The message that Lieutenant Governor Iona Campagnolo delivered on 12 February

⁷² Vaughn Palmer, *Vancouver Sun* on-line, 4 October 2001.

⁷³ Palmer, *Vancouver Sun* on-line, 30 October 2001.

was anything but sunny. She noted at the outset that the pending provincial budget would lay out “the fiscal challenges at hand and the tough decisions that must be made...fundamental change is required in the size and scope of government and to the role it serves in people’s lives and in our economy.”⁷⁴ The government’s agenda for the foreseeable future was an amalgam of “tough decisions” and “difficult choices” driven by “scarce resources” and “the enormity of a \$4.4 billion deficit problem”. Despite those decisions and choices, “my government’s vision remains the same: to usher in a new era of hope, prosperity and public service in British Columbia...Over time, they will lead our province to new fields of hope and opportunity.”⁷⁵ In short, harsh medicine and short-term pain to realize the tantalizing possibility of long-term gain.

Like the *New Era* document, the Throne Speech talks only of a dramatic tax cut, not a twenty-five percent tax cut. The Speech’s authors perhaps hoped to avoid the inevitable parallels between the latter and the bleak revelation that “over the next three years all ministries, not including Health and Education, will experience an average reduction of 25 percent in their budgets.”⁷⁶ Health and Education were by far the largest ministries in government.⁷⁷ Extracting sufficient savings from the remaining 30 percent of government to achieve a balanced budget in 2004/05 proved extraordinarily challenging.

An average 25 percent cut across the nine smallest ministries (collectively holding budgets totalling \$565 million) would yield only \$141 million.⁷⁸ A twenty-five percent cut to

⁷⁴ *Debates*, 12 February 2002, 1043.

⁷⁵ *Ibid.*, 1043-44.

⁷⁶ *Debates*, 12 February 2002, 1047. By contrast, Throne Speech 2001 (post-election version) had proudly cited the twenty-five percent tax cut. *Debates*, 24 July 2001, 41.

⁷⁷ Collins to all ministers, 19 February 2002, 1, 2. Together they comprised 70 percent of the provincial budget. According to Respondent N, correspondence with the author, 17 December 2018, Advanced Education was always placed in the same category as Education on budget cuts.

⁷⁸ Those nine ministries included Agriculture, Competition, Science and Enterprise, Energy and Mines, Finance, Management Services, Provincial Revenue, Skills Development and Labour, Sustainable Resource Management, and the Premier’s Office.

somewhat larger ministries like Forests (\$538 million budget), Public Safety and Solicitor General (\$498 million), and Attorney- General (\$564 million) would yield collectively \$400 million, but in the latter case only so many courthouses could realistically be closed.⁷⁹ The Campbell government was left with what one former official describes as “a fundamental math problem...it left itself with very few places to go.”⁸⁰

If government was intent on making a significant dent in the “\$4.4 billion deficit problem,” extensive cuts would have to be made in large and socially sensitive ministries like Children and Family Development (MCFD), Human Resources (MHR), and MCAWS, collectively holding about \$4.05 billion in budgets. The decision to exempt seventy percent of the budget, then exacerbate a looming deficit with a dramatic tax cut, guaranteed a disproportionate hit on the ministries comprising thirty percent of the budget. Further, as the large social ministries offered programs aimed at economically and socially disadvantaged populations, all these factors guaranteed an inequitable distribution of pain in the BC Liberal New Era.

Perhaps in anticipation of political vulnerability on this front, the Throne Speech makes multiple references to protecting services for women and children, among them: “My government will put children and families first ...My government also remains committed to long-term improvements in services for women, children and families...”⁸¹ The sentiment was plainly at odds with the budget cuts aimed at social ministries. Putting “children and families first” was tough to reconcile with the Throne Speech’s grim advice that “my government must

⁷⁹ The budget for 2002/03, from which all figures in this section are drawn, shows a relatively stable budget (an approximate eight percent cut, likely understating reality) for another large ministry, Transportation, because (according to the explanatory note) funding for highways operations and public transit are included.

⁸⁰ Respondent H, interview with the author, 27 January 2019.

⁸¹ *Debates*, 12 February 2002, 1047, 1049.

eliminate or scale back a number of services that many British Columbians would like to see maintained or increased.”

The Throne Speech promised that government would “seek to moderate the impact on people by phasing out several less vital programs and services over the next three years,” a reference to the ongoing core services review. Significantly, the stated aim was only to moderate, not eliminate, impacts on “vital” programs by eliminating those “less vital”. Even vital programs would suffer from the collective weight of tax cuts, expenditure reductions, and sundry economic challenges; conversely, the combined benefit of tax-related economic growth, savings from termination of non-vital services through core review, and elimination of purported NDP waste and duplication can only moderate – not offset – the impact on vital services. Achievement of budget targets demanded the rationing of vital services along with the elimination of those deemed “not vital” through core review. As discussed in later chapters, vital programs were eroded while political priorities were protected.

The Throne Speech claimed that government was responding to “an overwhelming mandate for change” from the electorate: “By voting for my government’s pledge to dramatically cut income taxes within its first 90 days, British Columbians also made it clear what they meant by their ability to pay. They wanted the lowest base personal income tax rates in Canada....”⁸² In other words, British Columbians wanted lower taxes, said so emphatically with their votes in 2001, and government was simply delivering on the promise it had made. Consequent diminution or elimination of public services, while unfortunate, was necessary to meet taxpayer demands for lower taxes and the government’s need to get its fiscal house in order.

⁸² *Debates*, 12 February 2002, 1043, 1046.

This narrative employed heaping portions of revisionist history. The *New Era* document contained over 200 promises. Most were entirely unrelated to tax cuts and many promised to maintain or expand public services. Voters may have been attracted to any number of these commitments. Nothing in the document suggested a need for the harsh medicine prescribed in the Throne Speech, nor should one conclude that the size of the BC Liberal's "overwhelming" victory somehow offered a mandate for government to proceed with tax cuts regardless of the consequences. The "dramatic" in "dramatic tax cut" was not defined until two weeks after the election. What evidence suggested that British Columbians had concluded "dramatic" was twenty-five percent rather than the two-stage fifteen percent promised in the 1996 campaign, or perhaps the ten percent Campbell cited in 1998?

Given the oft-repeated *New Era* commitment, Campbell was obliged (politically at least) to deliver a tax cut. Given the prospect of a pending deficit, with or without tax cuts, did the choice of 25 percent versus ten or fifteen percent tax cut really matter? Indeed it did. The size of the tax cut determined the size of the hole to be filled in order to achieve a balanced budget in 2004, particularly since that hole would be filled by ministries comprising only 30 percent of the overall provincial budget. As detailed in Chapters 6, 7, and 8, the magnitude of the dramatic 25 percent tax cut obliged ministries to ration "vital" as well as to eliminate "non-vital" programs.⁸³ To echo Pollitt's warning of "prescription before diagnosis," a more thorough diagnosis before introducing the tax cut prescription may have produced better program outcomes.

Such debates were of little interest or consequence in the New Era, a time for remaking government, not revisiting bold decisions. Consistent with the normative belief in "bigger,

⁸³ Although a host of variables come into play including timing of cuts, application to rate classes, and size of cut across those classes, a cut of 25 percent costing \$1.2 billion is always going to have a far greater impact than a 10 percent cut costing \$480 million, particularly given the exemption of the larger ministries from budget cuts.

faster, and deeper cuts,” the New Era was no time for retreat from self-imposed austerity: “My government’s priorities will not waver, and its mission will not be altered.”⁸⁴ Government would not countenance retreat, even to keep “vital” public services whole. “It is simply not possible to pay for everything that government used to do and also balance the budget,” the Speech argued. “It is simply irresponsible to put off the tough changes that must be made to bring spending into line with revenues. My government will not break its trust with the people.”⁸⁵ Given the pending deep cuts to social ministries delivering programs to the socially and economically disadvantaged, one might appropriately ask “trust with what people?”

The *New Era* platform promised \$2 billion in new public spending which, in combination with the siren song of incremental revenues driven by tax cuts, would have voters dreaming of doing “more with more” rather than “less with less” in the Campbell New Era. Very few would be eagerly anticipating deep cuts to social ministries. The Throne Speech asserted that when “our economy suffers, people pay the price,” to which Joy McPhail responded, “You bet they pay the price, and some people suffer more than others.”⁸⁶

In his Budget Speech on 19 February 2002, Collins made no reference to his 3.8 percent growth prediction eight months earlier, but acknowledged current projections of 0.6 percent economic growth and a \$4.4 billion deficit.⁸⁷ He attributed this decline to “a long list of economic challenges”, most notably “not just a national but a global economic slowdown”, the impact of 11 September 2001 events, and declining energy and commodity prices and sales. He offered no acknowledgement that the efficacy of tax cuts was largely if not entirely lost in the

⁸⁴ *Debates*, 12 February 2002, 1043.

⁸⁵ *Debates*, 12 February 2001, 1046.

⁸⁶ *Debates*, date, 1044 and 1535.

⁸⁷ British Columbia Ministry of Finance, *Budget In Brief* online, www.bcbudget.gov.bc.ca/2002/BudgetInBrief/default.htm

face of such circumstances. MacPhail had not forgotten the tax cut promise. Collins's 2002 budget featured two controversial changes: a sales tax increase from 7 to 7.5 percent and a 50 percent increase in Medical Services premiums, ostensibly in response to escalating health care costs. To MacPhail, those tax and fee increases were further confirmation that the Premier's "right-wing, supply-side experiment" had failed badly, along with his promise that "tax cuts pay for themselves".⁸⁸

Campbell assumed that investors would respond quickly to the bold signal of dramatic tax cuts. In Opposition, he tirelessly bemoaned NDP overtaxation and, in particular, British Columbia having the highest personal income tax (PIT) top marginal rate in Canada. The NDP did have the highest PIT top marginal rate at 48.7 percent but seven other provinces had top marginal rates over 46 percent.⁸⁹ With the tax cut of 6 June 2001, British Columbia moved to 43.7 percent, higher than Alberta at 39 percent but slightly lower than Saskatchewan at 44.5 percent. The BC Liberal government could now boast (and frequently did) of having the second lowest top marginal tax rate in the nation. But would the lower rate spur investment?

Tax cuts gave little indication of working through 2002. Despite higher-than-expected housing starts, British Columbia finished second last among all provinces on investment at -4.7 percent compared to Nova Scotia (12.7 percent) and Quebec (8.2 percent).⁹⁰ Notably, the latter provinces had PIT top marginal tax rates of 47.3 and 48.2 percent respectively, well above BC's new rate of 43.7 percent. Further, private sector forecasters were predicting that BC would be

⁸⁸ *Debates*, 19 February 2002, 1207 and 1209.

⁸⁹ Ministry of Finance "Fact Sheet" appended to a news release of 6 June 2001. Newfoundland was second highest at 48.6 percent, followed by Quebec at 48.2 percent, Prince Edward Island at 47.4 percent, Nova Scotia 47.3 percent, New Brunswick at 46.8 percent, and Ontario and Manitoba both at 46.4 percent.

⁹⁰ Statistics Canada, "Private and public investment survey (including housing)", cited in British Columbia, "Confidential Cabinet Update: Economy and Fiscal Plan Status and Outlook, 14 July 2003, 15-16.

among the poorest performing economies in 2003 before moving to the middle of the pack in 2004. The bleak “message” in cabinet’s July 2003 economic and fiscal update was, at least for internal consumption by cabinet, “that we have no fiscal room in 2004/05 and very little in 2005/06.” The update noted that “the main issue is whether North America will return to the high growth rates seen in the late 1990s.”⁹¹ In short, BC’s fortunes would largely be determined by shifts in the US economy, not BC’s tax environment.

The BC Business Council (BCBC) released “A Decade by Decade Review of British Columbia’s Economic Performance” on 5 November 2012. As the BCBC pointed out, British Columbia “is a very small market, representing less than 1% of total North American gross domestic product (GDP).” As a consequence, “cause-and-effect assertions” – like tax cuts pay for themselves – “can be difficult to prove.” In the short term at least, the economic impact of tax cuts was heavily outweighed by factors such as energy and commodity prices, value of the Canadian dollar relative to other currencies, strength of the US and Asian economies, interest rates, and economic conditions in other parts of the country.

The BCBC review reported mixed results in its comparison of the 1990s and the 2000s. Average GDP growth, for example, was greater in the 1990s under the NDP than in the 2000s under the BC Liberals. The same held true for new investment in machinery and equipment, notwithstanding tax cuts on those items announced 30 July 2001.⁹² As a small, open trading

⁹¹ Confidential Cabinet Update, 18 and 36.

⁹² Peter Severinson, Jock Finlayson, and Ken Peacock, *A Decade by Decade Review of British Columbia’s Economic Performance*, Business Council of British Columbia on-line, 5 November 2012, 1-11. Investment in machinery and equipment was 4.59 percent in the 1990s and 3.52 percent in the 2000s, although the latter figure was higher than average in Canada, and the former figure lower than average. Some other indices, like employment growth, were modestly better in the 2000s. Cause-and-effect assertions are indeed hard to prove.

economy, the timing and magnitude of returns from tax cuts would hinge on factors other than hopes or expectations of the Premier and Finance Minister that authored them.

Which Came First: Core Review or the Resource-Deprived Environment?

Core review was launched along with other processes – from deregulation to the business subsidy review -- in the Premier's mandate letters to new ministers on 25 June 2001. Core review was about "doing government right" but as the deficit grew, the line between core and budget target reviews was blurred. Unlike the Chretien government's 1990s "program review", discussed in Chapter 5, the Campbell government attempted to maintain a distinction between core and budget target reviews. That distinction may have been clear to the Premier but was not to all members of caucus and cabinet. One minister of state described core review as a process "that the government as a whole underwent to develop our budgets."⁹³ Confusion was understandable, as Palmer observed, "especially amid expectations that the whole purpose of both exercises is to prepare for budget cuts."⁹⁴

Attempts to explain the distinction between core review and the contemporaneous budget target review more often than not succeeded only in further muddling it. As Ken Dobell wrote in a letter to all deputies, core review was "not directed *specifically* toward reduction of expenditures...However, it will provide...an information base for a service planning model that deals with both 'doing government right' and fiscal requirements [author's emphasis]."⁹⁵ In the confines of (he thought) a closed-door meeting with public servants, Dobell was more candid:

⁹³ Lynn Stephens in *Debates*, 12 March 2002, 1796.

⁹⁴ Vaughn Palmer in *Vancouver Sun* on-line, 18 September 2001.

⁹⁵ Deputy Minister to the Premier and Cabinet Secretary to all deputies, "Fiscal Review", 23 July 2001

“Core services [review] may or may not be sufficient to address the budget issue, in which event we will still be dealing with the question of how to balance the budget over three years.”⁹⁶

Gary Collins also took the opportunity to remind his colleagues that “core review is about DEFINING the business of government and setting priorities around what we SHOULD AND SHOULD NOT be doing. The budget target process is about WHAT WE CAN AFFORD to do in government.” His subsequent words suggested that the relationship between the processes might be subtler than his upper-case characterization. The processes, he said, “have to walk hand in hand. Let’s be clear. They are about different things – but as each progresses and decisions are made, we are working carefully to ensure that these processes inform one another.”⁹⁷

The Finance Minister’s metaphorical walk had one inalterable destination: a balanced budget. While recognizing that budget targets presented “significant challenges to all of us”, Collins was abundantly clear that “it is critical that we manage within these targets in order to ultimately balance the budget by 2004/05”. Ministries were obliged to fund all “costs associated with base pressures, including wage pressures, debt service and amortization costs associated with capital projects, and continued implementation of New Era commitments” in their current base budgets.⁹⁸ In a legislature where virtually every corner of the province was represented by a BC Liberal MLA, most cuts aroused some measure of local sensitivity. Nevertheless, meeting budget targets was obligatory, not optional; reductions had to be found no matter how difficult they were. Relief in one program simply meant a deeper cut in another.

⁹⁶ Cited in Vaughn Palmer, *Vancouver Sun* on-line, 17 November 2001.

⁹⁷ BC Ministry of Finance, *Message for use by Ministries*, 18 September 2001, 1-2.

⁹⁸ Gary Collins to George Abbott, 18 February 2003, 2.

Core review provided officials with an opportunity to address some of their budget pressures. “I welcomed core review”, one former deputy noted, “BECAUSE of the aggressive budget targets we had been given. We needed to challenge decision-makers about the ‘appropriate role of government’ then push our programs through the lens that came back.”⁹⁹ Another former official believed core review was “a chance to cull out failing programs and a rare opportunity to rethink government.” This official also found the preparation of strategic shifts within core review an “early and important opportunity to identify values and priorities of the incoming government.”¹⁰⁰ A third respondent believed that core review was a legitimate and potentially valuable exercise: “Programs are initiated across time in response to the crisis of the day, then linger long after the crisis has passed.” Given the immediate imperative of delivering budget cuts, core review provided an opportunity to shed “non-essential programs that had accumulated over time.” Regrettably, the official added, cuts of up to 45 percent “forced ministries to not just cut to the core, but go well into the core.”¹⁰¹ But would the “burning platform” induce sufficient programmatic sacrifices to meet government’s fiscal goals?

The Premier was not about to countenance any cabinet resistance or dissent around his New Era political bookends: a dramatic tax cut on day one and a balanced budget in February 2004. The ethic of “stick to the plan” despite short-term pressures and adversity was central to the New Era and consistent with restructuring in Alberta, Ontario, and New Zealand: take the pain early and be judged on the good results that follow. If politics was uncomfortable, the plan was working – at least with a massive majority and more than three years until the next election.

⁹⁹ Respondent L, correspondence with the author, 26 March 2014.

¹⁰⁰ Respondent H, interview with the author, 27 January 2019.

¹⁰¹ Respondent B, interview with the author, 4 January 2019.

As government waited for tax cuts to pay for themselves, massive savings would have to be found within ministerial budgets.

As Collins was finalizing his Economic and Fiscal Update for 30 July 2001, Campbell was advising cabinet of his expectations for ministerial service plans. Henceforth, he noted, “there will be a 20% hold-back of your Ministerial stipend pending measurable results of your Ministry and the government.”¹⁰² Recovery of the hold-back was tied to completion of ministerial service plans that reflected achievement of *New Era* platform commitments as well as core review and budget target goals. The first set of three-year service plans would be made public, he said, along with the provincial budget on 19 February 2002. Failure to comply portended loss of income as well as an unstated but obvious loss of the Premier’s confidence.

Fortunately for the Premier, tax cuts that failed to pay for themselves were not subject to a hold-back. Tax cuts were launched very early in the New Era amid gathering economic storm clouds, contrary to advice from the Ministry of Finance and without the advice of Campbell’s own Fiscal Review Panel. Economic growth in the 2001/02 fiscal year was only 0.6 percent, far from the 3.8 percent growth predicted on the basis of tax cut optimism. The ministerial monetary hold-back was designed to ensure that the 30 percent of government that was not Health or Education would pick up the shortfall.

The hold-back was consistent with the experience of New Zealand and with the New Public Management playbook;¹⁰³ it joined an impressive body of New Era elements drawn from that playbook and captured in the Premier’s mandate letter of 25 June 2001: tax cuts, deregulation, smaller government, private sector-style management, competitive outsourcing,

¹⁰² Gordon Campbell to George Abbott, 30 July 2001.

¹⁰³ Jonathan Boston et al., eds., *Reshaping the State*, 11. See also Chapter 2, pages 47-48.

devolution, and public-private partnerships. Every element entailed its own processes, ensuring there were no idle hands in the New Era. Boldness may have genius, magic and power in it but for at least some cabinet ministers, bold tax cuts contained endless process, perplexing dilemmas, and agonizing choices.

CHAPTER 5

PROCESS MAKES PERFECT: LIFE IN THE BC LIBERAL NEW ERA

“I’m so tired, I haven’t slept a wink. I’m so tired, my mind is on the blink.” -- Beatles¹

The New Era was a time of action, not of reflection. Premier Gordon Campbell set the New Era’s frenetic pace on “day one” with a dramatic 25 percent tax cut. He followed up two weeks later with an extensive process roadmap, detailed in his nine-page mandate letter to new ministers, encompassing – among other components -- ministerial reorganization and service plans, core review, and deregulation. Like tax cuts, New Era processes were all components in the New Public Management (NPM) prescription for an ailing economy.² The term “smaller government” may have vanished from the BC Liberal electoral lexicon in 2001 but it was still well evident in Campbell’s thinking.

In stark contrast to expansive *New Era* platform commitments, New Era processes aimed to reduce the size and scope of government.³ The Premier then underscored the importance of those processes with an NPM-style 20 percent hold-back on ministerial stipends. As noted in Chapter 4, recovery of the hold-back was tied to successful completion of ministerial service plans reflecting achievement of *New Era* platform commitments as well as core review and budget target goals. Best efforts were no substitute for successful completion.

Multi-tasking was the key to success – and to survival -- in the New Era. Campbell was never reluctant to flag his priorities with ministers and deputies; his mandate letter of 25 June

¹ Beatles, “I’m so Tired”, from the *White Album*, 1968.

² Gernod Gruening identifies nineteen “undisputed characteristics (identified by most observers)” of NPM and “budget cuts” is at the top of his list. In “Origin and theoretical basis of New Public Management,” *International Public Management Journal* 4 (2001): 2.

³ As noted in Chapter 1, *New Era* when italicized refers to the document of the same name; when not italicized, New Era refers to the period between the 2001 election and the 2005 Throne Speech.

2001 offered a small glimpse into his expansive expectations: “I want all members of Cabinet to be continuously focused on the issues that will drive our economic recovery and performance,” (page 5); “I would ask you to immediately identify good opportunities to eliminate unnecessary and costly regulation....turn your immediate attention to this topic and be prepared to provide suggestions within 30 days” (page 5); “We will expect Cabinet and Caucus to devote intense energy to the Core Review” (page 6); and “I would ask that you focus attention on our New Era commitments associated with your Ministry” (page 7).

As processes wound through the Agenda and Priorities Committee, Government Caucus Committees (GCCs), Treasury Board, Legislative Review Committee, Open Cabinet, and cabinet itself, Campbell warned that there “will be NO tolerance for deviations from the accepted process protocols unless they have regard to circumstances that can TRULY be described as pressing and dire emergencies [emphasis in original].”⁴

The mandate letter was, as columnist Les Leyne noted, “a telling example of how deeply immersed he [Campbell] is in detail. They hint at how much control he’ll retain, however much he talks about teamwork.”⁵ The Premier cautioned ministers to resist “the temptation to be diverted by the agenda of others” and not succumb to “strong pressures to take different directions than those we have agreed to implement” even though “your mettle will be severely tested.” When such occasions arose, he wrote, “please remember that my confirmation of your appointment as a member of my Cabinet stands as a testament to my confidence and respect for your abilities as an essential member of my team.”⁶ Despite the reassuring tone, an astute minister might have noted the “my” not the “our” in “my Cabinet” and “my team.” The Premier

⁴ All quotes from Gordon Campbell to George Abbott, 25 June 2001, 4-7.

⁵ Les Leyne, *Victoria Times-Colonist* on-line, 19 August 2001.

⁶ Campbell to Abbott, 25 June 2001, 8.

liked to keep a tight leash on people and processes, a characteristic he quickly demonstrated around core review.

Core Review Gets New Leadership Early

Campbell described core review as an “exercise in rethinking government” consistent with his broader goal to “remake government”.⁷ The purpose of core review, he declared, was “to critically examine all aspects of government and its agencies.” In apparent anticipation of ministerial pride of ownership regarding programs within their portfolios, Campbell emphasized “it is very important to the success of our review process that we see these examinations as being on behalf of our government and not just within the purview of individual Ministers.”⁸ Ministers should harbour no doubts that core review was near and dear to the Premier: “To ensure a thorough and timely review, I have appointed a Special Task Force to lead this project.”⁹ As noted, he expected ministers to “devote intense energy” to the process.¹⁰

Initially the core review committee was chaired by MLA Val Roddick (Delta South). She faithfully reported out to cabinet on committee discussions until 22 August 2001. In what proved to be her final report, she noted that the committee “learned” from the Ministry of Children and Family Development (MCFD) “that a high-level vision of the Ministry’s purpose was necessary before individual programs were discussed.” That report may have strained the Premier’s often finite patience as the following week’s cabinet minutes note that “as Val

⁷ Cited in Vaughn Palmer, *Vancouver Sun* on-line, 27 October 2001, and *National Post* on-line, 21 December 2001

⁸ Campbell to Abbott, 25 June 2001, 6.

⁹ The process was officially known as the Core Services Review and Deregulation Task Force but in practice were two parallel processes.

¹⁰ Campbell to Abbott, 25 June 2001, 6.

Roddick will chair and be travelling extensively with the Special Standing Committee on Health, the Premier will now chair the Task Force.”¹¹ Vaughn Palmer suggested Roddick “had neither enough authority nor sufficient experience in the ways of government, and the process bogged down.”¹² The process would not lack for authority under the Premier’s leadership and the rethinking of government was underway in earnest.

Ministries were provided with an “overview” of core review on 5 July 2001. The overview offered a guiding vision extracted from ten elements in the *New Era* document and “stated government principles” drawn from the Premier’s mandate letter of 25 June 2001. The overview defined a very high bar for program retention. If a given program met the *New Era* vision and the Premier’s stated principles and priorities, did it fulfill “a compelling public policy objective?” Was it a “critically necessary program? What would happen if the program was eliminated? Suspended for five years?” If elimination was not possible, were there “other methods of service provision?” The overview offered (apparently courtesy KPMG) a “spectrum of service provision options” from devolution to co-sourcing, outsourcing, franchising, and privatization. And if an agency, board, or commission was not eliminated, could its scope, membership, or meeting frequency be reduced?¹³

The Premier offered further detailed advice on core review in a letter of 31 July 2001. He laid out the framework for assessment including tests of public interest, affordability, effectiveness and role of government, efficiency, and accountability. The tests again set a very

¹¹ Cabinet minutes, 29 August 2001, published by *The Breaker* on-line, 1 September 2017, courtesy of a freedom of information request tendered by reporter Bob Mackin.

¹² Vaughn Palmer, *Vancouver Sun* on-line, 18 September 2001.

¹³ British Columbia, Office of the Premier, “Overview of streamlining or eliminating Agencies, Boards and Commissions”, handwritten date 9 May 2005 suggesting the document was a retrospective review of core review, with an attached Appendix 2 entitled “Core Review Questions”, 1.

high bar for retention. The “public interest test” required demonstration of “a compelling public policy purpose.” The “effectiveness and role of government” test required ministries to demonstrate “that there are absolutely no alternatives to the current structure.” Further, under the “affordability” test, the “activity of the ABC [agency, board, or commission] “must be affordable with the current fiscal environment.”¹⁴ If the affordability, effectiveness, and public interest tests were met, ministries confronted the “efficiency” test – why the ABC was the “most efficient way to manage and deliver the activity” – and the “accountability” test, demonstrating how the ABC’s “reporting mechanisms” met the New Era’s expectations for transparency.

As Table 5 below suggests, BC’s core review process appeared to be modelled closely on the federal Liberal government’s 1994-97 program review, although no attribution was offered.

Table 5: Comparative Federal Program Review and BC Core Review Questions

Canada Program Review	Is the program still in the public interest?	Is it affordable, given fiscal constraints?	How can it be redesigned for efficiency?	Is this program a legitimate and necessary role for government?¹⁵
British Columbia Core Review	Does the program continue to serve a compelling public interest?¹⁶	Is it affordable within the current fiscal environment?	Current model the most efficient way to manage and deliver the activity of the agency?	Is this program a legitimate role for the province?

¹⁴ The affordability test ensured that core review discussions were conducted in an environment rife with ambiguity and uncertainty. Declining energy prices in export markets, the softwood lumber dispute, the events of 11 September 2001, and a general global economic downturn all contributed – along with over two billion dollars of tax revenue foregone with cumulative tax cuts -- to the government’s fiscal woes.

¹⁵ Program review test questions and process details were laid out by the federal review chair, Marcel Masse, in *Getting Government Right*, published and available on-line since 1997.

¹⁶ Provincial questions in every case are drawn from “Core Review Questions,” noted in footnote 13. The questions can also be accessed on-line at www.kamloopschamber.ca/uploads/4/1...principles_for_program_review_final4pdf

Some differences of approach also existed. As detailed in Chapter 4, the Campbell government attempted without great success to keep core and budget target reviews separate, at least in concept; conversely, the federal program review explicitly incorporated a contemporaneous evaluation of programs and budgets. Unlike the Campbell government, the Chretien government made no pretense that the program review was “not about the money.”¹⁷

The Chretien Government’s Program Review, 1994-97

Program review had its roots in the Brian Mulroney and Kim Campbell Progressive Conservative governments that preceded election of the Jean Chretien Liberals on 4 November 1993. The Mulroney review in turn drew on still earlier Australian models. Based on a ministerial task force led by Robert de Cotret, the former government “concluded that the structure of the Canadian government had to change, and set out a plan to reorganize the federal government on a portfolio basis.” As a consequence, the number of ministers and departments “went from 32 to 23, with ministerial portfolios encompassing broader policy domains, where coordination and trade-offs could be made.”

The Chretien government “took most of the de Cotret plans and made them their own.”¹⁸ Budget targets ranged from 17 to 40 percent cuts with the exception of Aboriginal programs, exempted on Chretien’s initiative. As Evert Lindquist notes, the “changes were difficult; they were departures from previous ineffectual across-the-board interventions. A key ingredient was

¹⁷ The federal program review was accompanied by modest tax increases rather than a tax cut.

¹⁸ Evert Lindquist, “Comprehensive Reform of Public Governance: Lessons from Canadian and Other Experiences”, a paper presented at the *Towards a Comprehensive Public Governance* conference, Lisbon, 28 January 2013, 5-6.

that the government staked its reputation on securing results out of the process; this was not just a bureaucratic exercise or external commission.”¹⁹

The Chretien Liberals, as Donald Savoie notes, “had become quite concerned about Canada ‘hitting the wall,’ as New Zealand had done.” Program review engaged two streams, one of senior ministers including the Finance Minister, the other of top-ranked public servants from the Privy Council Office, Finance, and Treasury Board. The Liberal *Red Book* campaign platform had committed to limiting the federal deficit to three percent of GDP and Chretien left “no doubt whatsoever that he was four square behind Martin” and the deficit reduction imperative. Not surprisingly, the program review encountered ministerial resistance at multiple points. However, the process succeeded through a combination of resolute support from Chretien and, just as importantly, of propitious timing. The latter included “the Mexican currency crisis and the jump in interest rates in December 1994-January 1995 [that] shot the review into crisis management mode.”²⁰ According to Savoie, program review ultimately produced \$29 billion in cuts including elimination of 45,000 public service and military positions.

Notably, the Chretien government’s program review was undertaken during a period when it was widely and harshly criticized for failure to repeal the “hated” Goods and Services Tax as promised in their 1993 election platform. Would the program review have been “a political success”²¹ had the government’s focus been fragmented by GST and other reforms? Unlike the Campbell government’s core and budget target reviews, the federal program review did not attempt to combine administrative reorganization, service delivery reform, and steep

¹⁹ Lindquist, “Comprehensive Reform”, 7. The observation on exempting Chretien exempting Aboriginal programs is from Savoie below.

²⁰ Daniel Savoie, *Governing from the Centre: The Concentration of Power in Canadian Politics* (Toronto: University of Toronto Press, 2004), 190-192.

²¹ Lindquist, “Comprehensive Reform,” 7.

budget reductions in a broad remaking of government. In short, the federal review did not attempt to do “everything at the same time” and its focused character appeared central to its political success.

Campbell’s War on Big Government Begins to Yield Results

On 31 July 2001, Premier Campbell advised ministers that core review extended to “all of your ministry’s programs, activities, business units, Agencies, Boards and Commissions [ABCs].” Ministerial review and identification of “service delivery alternatives will be completed this fall.” On a more sympathetic note, he added: “I know this will not be easy. However, the wishful thinking of the status quo must be replaced by critical analysis, an orientation to results, and measurable accountability.” The Core Review and Deregulation Task Force was created, he said, to “ensure that this project takes a high priority within our government.”²²

Additional reinforcement came in a PowerPoint presentation entitled “Core Services Review: Themes & Issues” which further clarified thematic direction. Among the “emerging” themes were “Think Boldly” and “Greatly reduced direct delivery: local delivery, outsourcing, shared services, and private sector sponsorship.” Bullets related to “Issues, Questions, Things Missing” re-emphasized those themes: “Think Bold, Think Small, Think Focussed”, “Regional Delivery Models – a Panacea”, and “Self-supporting = user fees”.²³ The presentation was a distillation of recurrent themes in New Public Management aimed at inspiring the drive toward smaller government.

²² Gordon Campbell to all ministers, 31 July 2001, 1-4.

²³ Author unknown but likely the Premier’s Office, “Core Services Review: Themes & Issues,” 4 October 2001, 2-3.

By the Premier's Office count, there were 730 independent agencies, boards, and commissions operating as of 5 June 2001. Of these, some were either adjudicative bodies (such as boards of variance) or boards of independent not-for-profit agencies to which the province made appointments. In these cases, "elimination" was simply a matter of leaving appointments to local authorities and organizations. In the case of the 179 Boards of Variance, the Task Force recommended to cabinet that MCAWS "discontinue provincial appointees and delegate all appointments to municipalities." A similar resolution was found for University Senate and Foundations Boards (17) and Continuing Care Facility Boards (47). Had the original 730 ABCs suddenly, and seemingly painlessly, been reduced by 243 or 33%? No. For the purposes of core review the 179 boards of variance were treated as one entity of the 33 within MCAWS. The balance of the process proved much more challenging.

Within weeks of the core review announcement, ministries began reporting in with what they thought the Premier was demanding. Portions of ministerial presentations that won early approval, such as "strategic shifts", were reported out through Open Cabinet. The process ground on through the winter but clearly did not meet Campbell's expectations: "Some Ministries completed a core services review of their ABCs, but many did not, and a majority of those Ministries that did complete reviews came back with a recommendation for the status quo."²⁴ The message from the Premier on 17 May 2002 was clear and explicit: far too many ministers and deputies had failed to capture the spirit of smaller government the first time around; consequently, "all of the remaining 124 ABCs should be eliminated unless it can be clearly shown that the entity passes all of the Core Services tests."

²⁴ British Columbia, Premier's Office to all ministers and deputies, "Core Review of Ministry Agencies, Boards and Commissions", 17 May 2002, 1.

The Premier's letter aimed to capture the attention of even the most tone-deaf ministers and deputies: "The measure of success in this endeavour is to eliminate all ABCs which do not clearly and compellingly meet the criteria outlined above, as well as to ensure there are no duplications of authority and effort. It is my hope that Ministries will be extremely creative and diligent in completion of this task." The *status quo* was neither bold nor creative: "It has therefore been determined that a more rigorous process will be required to finalize the Ministries' ABC reviews in a comprehensive and timely fashion."²⁵

Core Review: The Bonus Round and a Visit to the Woodshed

The new and "more rigorous" process made elimination of ABCs the easiest as well as the preferred course. An elimination recommendation required "only a brief document...not longer than one page" whereas a "non-elimination" recommendation required three pages of supporting documentation including "rationale on each of the core review tests" and "reference to relevant New Era Commitments." A retention recommendation also required sign-off by both minister and deputy and hence joint accountability before not only the core services task force but also a new adjudicative entity, the "External Panel," composed of "individuals with senior business experience, high level financial and/or board governance experience, senior level experience in restructuring organizations, and strong analytical skills." The letter again offered an explicit warning to the timid or recalcitrant: "The Panel has been instructed to apply an extremely critical eye to status quo or scope adjustment recommendations."²⁶

²⁵ Premier's Office to all ministers and deputies, 17 May 2002, 2.

²⁶ Loc. Cit.

Much of the debate before the External Panel centred on the fate of ten ABCs. Nine of the ten ABCs resided in MCAWS and one, the Law Courts Education Society of BC, in the Ministry of the Attorney General. MCAWS argued that some ABCs (such as the Advisory Council on Multiculturalism and the First Peoples' Heritage, Language and Culture Council) were vital to successful completion of *New Era* commitments; in other cases (such as the Provincial Child Care Council and the Building Safety Advisory Council), the Ministry was in the midst of strategic reviews that would be disrupted or derailed by elimination. Further, the Ministry argued that budget and staffing reductions had "significantly reduced the ministry's capacity to deal with current and emerging regulatory and policy issues," particularly given concurrent demands for regulatory reductions.²⁷ Within the Safety Advisory Council's five committees, members provided "their expertise free of charge" versus consultants at \$125 per hour (an estimated \$300,000 per annum), no small consideration for a ministry in MCAWS straitened circumstances.²⁸ None of those arguments proved persuasive with the Panel.

As a result of the External Panel's deliberations, cabinet was asked to approve elimination of 74 ABCs (including the ten in dispute) and retention of 53 others. The ten disputed cases were subsequently placed in a "yellow" category to "be directed to the relevant Government Caucus Committee for review and recommendation," then on to cabinet for final decision making.²⁹ After one turbulent year into the New Era, MLAs on the GCCs were not, by and large, looking for more reasons to be beaten up by their constituents and supported the

²⁷ As detailed below, during this period MCAWS and its Safety Engineering Services Branch were under pressure to serve up a one-third reduction in regulations, a daunting task in the area of technical safety, further exacerbated by staff and budget cuts.

²⁸ MCAWS, "Briefing Note for Minister", 18 July 2002, 1.

²⁹ Premier's Office to all ministers and deputies, 17 May 2002, 3.

ministers. Cabinet's final decision in September 2002 supported retention of all ten contested ABCs,³⁰ a small victory for the *status quo* amid the wholesale remaking of government.

Would Deregulation Reduce the Regulatory Criteria Checklist by One-Third?

Like many other New Era processes, deregulation was firmly rooted within the doctrine of New Public Management and found early expression as a *New Era* commitment, specifically to reduce the regulatory burden by one third in three years. The initiative came complete with a Minister of State Responsible for Deregulation (Kevin Falcon), a Deregulation Office, and a Red Tape Reduction Task Force. Ministries were asked to provide the Minister of State for Deregulation with “30-day” ideas, “requirements that could be eliminated without raising significant policy issues” and “three-year” proposals that “require further analysis or consultation.” The latter would be included in three-year deregulation plans due on 31 January 2002.³¹ In the interim, any new legislation, regulation, or legislative amendment was obliged to demonstrate compatibility with the “Regulatory Criteria Checklist” of “ten criteria including competitiveness, cost-benefit, timeliness, plain language.”³²

As a first step, ministers were obliged to “count all requirements in the statutes, regulations and interpretive or administrative policy under their areas of responsibility” by 1 October 2001. Deputy to the Premier Ken Dobell, in what he thought was an off-the-record speech, characterized this exercise as “the famous, sort-of-target of one-third fewer regulations –

³⁰ Premier's Office, 9 May 2005, note re core services review.

³¹ Kevin Falcon to all ministers and deputies, “30-day Deregulation Submissions”, 30 October 2001, 1-2.

³² Regulatory Reform Office, “British Columbia Deregulation and Regulatory Reform Initiative: Mandate and Approach”, 11 May 2005, 1.

notwithstanding the reality that you can't count that very well.”³³ Early counts prompted heated debate over what constituted a regulation: “Is subsection 3 (f) one reg or .5 of a reg? Is the handbook one reg or 468?”³⁴ Further, as Dobell hinted, all regulations were not created equal. For example, the goal of securing a one-third reduction in regulations pertaining to the construction/housing industry, without compromising safety, proved very complex. For MCAWS, home of the Safety Engineering Services Branch, the challenge was multi-dimensional, engaging safety standards, economic considerations, competition, the intersection with local and federal regulations, insurance coverage and cost, and liability. Dozens of industry organizations, municipalities, and regulators rightly expected to be consulted.³⁵

There were more than a few pointed reminders that deregulation was a Campbell priority, not just a Falcon priority. Campbell's mandate letter, as noted above, asked ministers “to immediately identify [emphasis in original] good opportunities to eliminate unnecessary and costly regulation.” Twenty months later the Premier's deregulatory passion had not cooled: “We are now just six weeks away from year end, I would ask you to consider how you will meet our deregulation target in your ministry, so that the Honourable Kevin Falcon is able to achieve his goal of a 12% reduction of regulatory burden across government by March 31, 2003.”³⁶

The demand for results from the Premier had ministries unleashing an intensive search for regulations that had long been ignored, forgotten, or inoperative. Some of the early candidates for repeal included the *Drainage, Ditch and Dyke Act* of 1907 and the University Endowment Land Park Act, both long “spent” or “obsolete”. The Ministry of Water, Land and

³³ Cited in Vaughn Palmer, *Vancouver Sun* on-line, 17 November 2001.

³⁴ Respondent A, interview with the author, 7 January 2019.

³⁵ MCAWS, “Briefing Note for Minister”, 9 July 2001, 1-2.

³⁶ Campbell to Abbott, 13 February 2003, 1.

Air Protection delighted pundits by unearthing the *Weather Modification Act*, decades into desuetude.³⁷ And MCAWS must have prompted cross-government envy with the *Heritage Orientation Handbook*, 4,000 regulations banished in a single stroke of the deregulation pen.³⁸

One official considered deregulation an example of “management by slogans,” in this case “what gets measured gets managed.” He complained that the ministerial “policy shop was consumed with going through statutes going back 100 years to find outmoded regs to shed” while critical policy challenges waited for attention. Further, the relentless demand to “hit the number” forced the ministry “to take away regs that still made sense in meeting government demands for policy solutions to emerging problems.”³⁹ Another respondent suggested demands to “just get to the number” meant “counting regs instead of doing meaningful deregulation.”⁴⁰ A third official declared: “At a time when the burning platform was forcing critical decisions without policy analysis, ministries were consumed with finding and eliminating outdated regulations.”⁴¹ Deregulation was deployed within an intense New Era change environment replete with contemporaneous processes such as core and budget target reviews. In a government with multiple priorities, as prescribed in the Premier’s mandate letters, priorities were sometimes lost in the fog of multiple and simultaneous processes.

The Deregulation Office did not underestimate the challenge ahead: “[the] move toward regulations that are innovative, results-based and improve competitiveness requires a culture shift and capacity building within the BC public service....”⁴² Despite this challenge, Finance

³⁷ Vaughn Palmer, *Vancouver Sun* on-line, 16 November 2001.

³⁸ Palmer, *Vancouver Sun* on-line, 6 May 2003.

³⁹ Respondent A, interview with the author, 7 January 2019.

⁴⁰ Respondent D, interview with the author, 3 January 2019.

⁴¹ Respondent B, correspondence with the author, 3 January 2019. For full Pollitt and Summa quote see Chapter 3.

⁴² Regulatory Reform Office, 11 May 2005, 2. The Office delivered several seminars to enable that culture shift.

Minister Gary Collins was able to proudly report in his 2003 Budget Speech: “We’ve eliminated 233 agencies, boards and commissions; over 1,000 unnecessary fees and licences; and almost 38,000 needless regulations.”⁴³ And the battle had only begun!

One year later, the Minister of State for Deregulation reported that the initiative had actually exceeded its target by eliminating 143,000 regulations, a net reduction of 37 percent. He offered more regulatory news: a zero percent increase in regulatory requirements over the next three years. In short, any ministry wishing to introduce legislation requiring regulations would have to find a corresponding number of regulations to eliminate elsewhere. For a brilliant new idea to advance, an existing but deficient or ineffectual measure would have to be expunged from the governmental landscape. The government quickly offered up a compelling example: the “Waste Buster” website was a vaunted *New Era* “90 day” commitment that proved a complete bust in the course of its short life.

The “Waste Buster” Website Proves Both a Bust and a Waste

The *New Era* document promised (twice) to “establish a ‘Waste Buster’ website for taxpayers to help identify, report and stamp out government waste.”⁴⁴ Waste was a major theme of the document under provocative headlines like “Where Has Your Money Gone?” and “It’s Your Money That’s Been Wasted.” The *New Era* provided a compendium of over two billion dollars in purported “NDP waste and mismanagement,” highlighted by the “fast ferries fiasco.” Like claims of high taxes and over-regulation, this narrative was constructed “to lead an audience ineluctably to a course of action” where “labels of policy discourse” are strategically employed

⁴³ *Debates*, 18 February 2003, 4865.

⁴⁴ *New Era*, 4 and 8.

to “evoke different stories and prescriptions.”⁴⁵ In *New Era* language, NDP waste and mismanagement was the malady afflicting the province, thereby setting the stage for the NPM prescription of tax cuts and (via core review) smaller, more efficient government.

This prescription would – the narrative suggested – work at two levels: elimination of the NDP’s profligate spending would remove the need for unsustainable levels of taxation and, in turn, reduced levels of taxation would “grow the economy” and generate higher revenues, thereby averting risk to public services. The narrative, alas, worked far better in theory than in practice. Most examples of NDP waste involved past capital rather than current operational expenditures and did little to offset the immediate budgetary hole created by tax cuts.

The Campbell government clearly nursed unrealistic expectations for budgetary savings through the “Waste Buster” website and related measures. In his Fiscal Update of 30 July 2001, Collins reiterated the theme: “We are implementing an all-out attack on red tape, business subsidies and waste. Thanks to our new waste-buster website, we’ll have four million sets of eyes looking for and reporting on government waste across the province.”⁴⁶ Despite hopes that the website would be a “populist triumph,”⁴⁷ it proved much more of a bust than a boon to taxpayers. Among the early suggestions were “create one central government library”, “eliminate school boards”, “amalgamate private mobile radio systems across government”, and “eliminate open cabinet meetings”.⁴⁸ Despite four million sets of eyes, the volume of suggestions quickly declined and the site was quietly dismantled two years after its creation.

⁴⁵ Deborah Stone, *Policy Paradox and Political Reason* (New York: Harper Collins Publishers, 1988): 115.

⁴⁶ *New Era*, 4 and 8. British Columbia, *Debates of the Legislative Assembly*, 30 July 2001, 1445.

⁴⁷ Respondent A, interview with the author, 7 December 2018.

⁴⁸ Ministry of Management Services, <http://www.wastebuster.gov.bc.ca:80/popt/sample.htm>

The Business Subsidies Review Unearths Little Gold

The business subsidies review commenced with a Ministry of Competition, Science and Enterprise (MCSE) open cabinet presentation on 15 August 2001 and ended with another on 24 July 2002. The Premier kicked off the review by advising cabinet that there “will be no further loans issued under the Industrial Development Incentive Act”, a program dating back to the Bill Bennett government in 1985.⁴⁹ The review was contemplated by a *New Era* commitment (twice repeated) to “eliminate government subsidies to business that give some companies an unfair advantage over competitors.”⁵⁰ The document offered substantial expectations for savings based on claims of NDP waste including “\$1 billion in business subsidies”, “\$340 million for the Skeena Cellulose bailout,” and “\$463 million wasted on the ‘fast’ ferries.”⁵¹ According to MCSE Minister Rick Thorpe, “Getting rid of business subsidies sends a clear signal to all investors that British Columbia is open for business.”⁵² As a signal to investors, review results proved muted at best.

A total of 23 programs were recommended for elimination. The “red” eliminated subsidies included three that involved hiring incentives for students or welfare recipients, four that supported fisheries enhancement, and several that supported green energy and technology research and development. The search for corporate welfare produced scant results: modest subsidies from the Ministry of Transportation for operation of the Shuswap Lake ferry service and road maintenance for the Mt. Timothy ski hill were terminated, along with Prospectors assistance grants. Hardly the prototypical corporate welfare bums one envisaged!

⁴⁹ Vaughn Palmer, *Vancouver Sun* on-line, 16 August 2001.

⁵⁰ *New Era*, 4 and 10.

⁵¹ *New Era*, 28.

⁵² News release from MCSE, “Business Subsidies Eliminated to Revitalize Growth,” 16 January 2002.

The business subsidies review – even in combination with the Waste Buster website and the deregulation initiative – may have helped complete the *New Era* narrative but did little to fill the \$2 billion hole created directly by tax cuts. Curiously, or perhaps ironically, by 2005 the BC Liberal government was extolling their multi-million-dollar investments in (among others) Fuel Cells Canada, an oil and gas training centre, and a Selkirk College aviation program -- investments that would not have survived either the business subsidies or core reviews.

Devolution: If You Love Something, Set It Free

Devolution was an important element in Campbell's "remaking of government". As suggested by the Osborne and Gaebler mantra, ministries should "steer not row", retain policy levers but put responsibility for day-to-day delivery of services into the hands of special operating agencies financially and operationally free from government.⁵³ British Columbia was far from a pioneer in the devolution process. The Next Steps programme in the United Kingdom, launched in 1988, led to the creation of more than 140 specialized executive agencies.⁵⁴ Sandford Borins notes that the British government, "following Sweden, has concluded that over 60 percent of its activities can be given over to executive agencies while a much more hesitant Canadian federal government has given over to special operating agencies less than 5 percent of its activities."⁵⁵

Specialization through devolution, as Aucoin suggests, "has been a corrective to the tendency, especially in Canadian government, to force integrated departmental structures onto

⁵³ Cited in Barry Cooper, *The Klein Achievement* (Toronto: University of Toronto, 1996), 70.

⁵⁴ Pollitt and Bouckaert, 98. Devolved agencies in Britain were known as "executive agencies", in Canada as "service" and "special operating" agencies.

⁵⁵ Sandford Borins, "The new public management is here to stay," *Canadian Public Administration*, Vol. 38, No. 1 (Spring 1995), 125.

distinct, if related, organizations that fall within a minister's portfolio, which, in many instances, would have been better structured as separate organizations but managed within a portfolio framework."⁵⁶ To Aucoin's point, the Safety Engineering Services Branch was a distinct, if related, organization within MCAWS. As such, the Branch faced budget and workforce cuts and the reality of doing less with less, a poor prescription for safety in the built environment.

The drive for separation of policy from operational responsibilities, as Aucoin notes, "either enthusiastically as the means to greater performance or simply as a means to greater economy in a context of budget restraint, governments have pushed many services and operations out from under the management of departmental public servants to government agencies of various kinds, some more independent than others."⁵⁷ As with many initiatives in the New Era, MCAWS drew on exogenous experience. Both Alberta and Ontario had created special purpose, not-for-profit safety authorities in the 1990s which provided practical examples for emulation by British Columbia.⁵⁸ After extensive consultations with industry, business, labour, institutions, and associations, the *Safety Authority Act* of spring 2003 set the stage for a comparable entity, the BC Safety Authority.

In the BC Liberal New Era, devolution was by and large driven by budget imperatives but shifts in most instances proved successful. As Aucoin argues, "the separation of policy and operational responsibilities does not have to result in organizational designs that conflict with the principles of good public management."⁵⁹ For the BC Safety Authority, devolution provided an

⁵⁶ Peter Aucoin, "The design of public organizations for the 21st century: why bureaucracy will survive in public management," *Canadian Public Administration*, vol. 40, no. 2 (Summer), 302.

⁵⁷ Aucoin, "The design", 303.

⁵⁸ Those provinces had created special operating agencies for safety services in the 1990s; a ministerial briefing note argues that legislation "builds on the experiences of Alberta and Ontario." MCAWS, "Question and Answers: Safety Standards Act and Safety Authority Act", Spring 2003 Legislative Session, 2.

⁵⁹ Aucoin, "The design," 304.

exceptional opportunity to embrace good public management; it brought liberation from arbitrary budget and workforce cuts, and from political determination of fees.⁶⁰ The Land Titles Branch in the Ministry of Sustainable Resource Management faced a comparable situation including the closure of multiple offices and rapidly growing delays in completion of property transfers, making it another strong candidate for devolution.⁶¹

The BC Safety Authority and the Land Title and Survey Authority have thrived as special operating agencies after struggling as ministerial functions, particularly given post-2001 resource constraints. BC Ferries followed a similar (and largely successful) model but because of its public reach and impact, it continues to be of public policy interest to governments of all stripes. Conversely, the product of the Ministry of Children and Families Development's (MCFD) devolutionary efforts, Community Living BC, continues to struggle due, at least in some measure, to the straitened circumstances of its birth (discussed in Chapter 8). Devolution has proven most challenging when the devolved organization lacks the opportunity to build sustaining funding outside of government.

Devolution, where it was possible, was perhaps the least painful way to achieve budget-driven workforce reductions. For example, MCAWS had to move from about 1,200 to 532 FTEs [full-time equivalents], a 45 percent reduction. The devolution of the Safety Engineering Services Branch saw “about 210” staff move to the BCSA.⁶² The transition of the Royal BC Museum (including BC Archives) from ministerial function to crown corporation resulted in a

⁶⁰ Disclosure: the author was the minister responsible for passage of legislation creating BCSA, today Technical Safety BC, and currently is chair of the board governing that entity. The author, subsequently Minister of Sustainable Resource Management, was also responsible for passage of legislation creating the Land Title and Survey Authority.

⁶¹ The Land Titles Branch became a special operating authority in 2004 as the Land Title and Survey Authority.

⁶² MCAWS, “Question and Answers: Safety Standards Act and Safety Authority Act”, Spring 2003 Legislative Session, 3.

further staff transfer of 133 away from MCAWS.⁶³ Sadly, devolutionary initiatives could only affect very marginally the number of layoffs demanded in the “workforce adjustment” process.

“Black Thursday” Initiates “Workforce Adjustment”

On 17 January 2002, Premier Campbell announced the reduction of as many as 11,700 public service employees, one-third of the entire public service. The announcement, subsequently labelled “Black Thursday,” was not foreshadowed by the cheery contents of the *New Era* document nor by Campbell’s pre-election comments. “We’re not planning massive layoffs in the civil service,” he said. On election eve his deputy leader, Christy Clark, was even more positive: “What you’ll see is probably the same number of employees just doing a heck of lot more productive things.”⁶⁴ In the harsh light of self-induced austerity, Campbell now described the job cuts as “thoughtful and innovative” and “the right thing to do.”⁶⁵

Asked why there was “not the slightest mention” of service cuts in the *New Era* document, Campbell responded: “Well, because we didn’t believe we were going to have massive cuts.”⁶⁶ His response employed a hearty measure of calculated ambivalence. Campbell may not have expected “massive” job cuts, but core review was clearly designed to create smaller government by shedding programs, expenditures, and employees. If layoffs were “massive” rather than of lesser impact, the difference lay in the magnitude of tax cuts that failed to “pay for themselves” in a timely way.

⁶³ MCAWS, “MCAWS Fiscal 03/04 Budget Summary”, 17 February 2003, 5.

⁶⁴ Both Clark and Campbell cited in Les Leyne, *Victoria Times-Colonist* on-line, 18 January 2002

⁶⁵ Kim Lunman, *Globe and Mail* on-line, 18 January 2002.

⁶⁶ Vaughn Palmer, *Vancouver Sun* on-line, 22 November 2001.

Campbell's mandate letters of 25 June 2001 offered well-articulated goals for smaller government via core review, regardless of whether tax cuts paid for themselves in whole, in part, or not at all. Workforce adjustment was not a spontaneous budget-shedding exercise; it was part of the wholehearted embrace of New Public Management strategies succinctly laid out by Deputy to the Premier Ken Dobell in 2002: "Many services previously delivered within government will now be delivered by the private sector through contract arrangements and public-private partnerships. We need different skill sets: contract management skills, creation and enforcement of outcome-based regulations, even downsizing skills."⁶⁷ The massive scale of workforce adjustment prompted widespread anger and disbelief. "The self-inflicted deficit," Vaughn Palmer wrote, "has forced the Liberals into spending cuts and staff reductions beyond anything attempted previously in this province."⁶⁸

Workforce adjustment was an issue in "small town BC" as well as in Victoria and the Lower Mainland. Ministry documents detailing dozens of office closures were laden with repetitive phrases like "office to close", "service with a 1-800 number", "small office maintained but no public access", "services by appointment only", and "functions move to regional centre." With consolidation in larger centres like Kamloops and Kelowna, apprehension was high in smaller communities. As one service provider noted: "We currently have 2.5 social workers assisting people in Salmon Arm...Our question is, when there is a crisis, or when a placement breaks down who will assist the people."⁶⁹

Resource ministries like Agriculture and Forests were among the hardest hit both in staff reductions and in community office closures. For example, Forests suffered a staff reduction

⁶⁷ Cited in Lindquist et.al. "Government Restructuring", 227.

⁶⁸ Vaughn Palmer, *Vancouver Sun* on-line, 21 November 2001.

⁶⁹ Service provider to MLA George Abbott (Shuswap), 14 May 2002.

from 4,183 in 2001/02 to 2,628 in 2004/05.⁷⁰ Job cuts came through a combination of not filling vacancies, early retirements, eliminating auxiliary workers, “buy-outs” and other “voluntary” departures. Eleven of forty-two Forest District offices were converted from full-service operations to minimally staffed field offices. Additionally, three regional offices closed.⁷¹ Among the hardest-hit positions were compliance and enforcement staff. “Professional reliance” and industry self-regulation were not only political choices, but also imperatives driven by budget and workforce reductions. The pattern was replicated across resource ministries.

The justice system was not spared. To meet budget targets, the Attorney-General was obliged to close twenty-four fully staffed courthouses even where closures were not justified by utilization rates, such as Burnaby (126 percent of capacity), Maple Ridge (138 percent), and Squamish (106 percent).⁷² On the other side of the system, the Corrections Branch within the Ministry of the Solicitor General faced a 30.5 percent cut at a time when all twenty correctional centres had full occupancy. The primary remedy was consolidation of twenty centres into nine, the layoff of 500 of 1800 staff, and unprecedented double bunking within those consolidated facilities.⁷³ The Ministry was fortunate to be operating in a target-rich environment where far more public sympathy accrued to patients and children than to inmates.

One former deputy recounts the staff reduction challenge: “Budget cuts were huge and couldn’t be done by trimming at the edges. Whole programs were wiped out with very little forethought, other than the urgent need to meet targets, or else.” The demise of a program and

⁷⁰ Evert Lindquist, John Langford, and Thea Vakil, “Government Restructuring and the BC Public Service: Turmoil, Innovation, and Continuity in the 2000s”, *British Columbia*, 225.

⁷¹ Ben Parfitt, *Axed: A Decade of Cuts to BC’s Forest Service* on-line, Canadian Centre for Policy Alternatives, December 2010, 4.

⁷² *Debates*, 27 March 2002, 1099.

⁷³ Respondent M, correspondence with the author, 10 December 2017.

subsequent layoff notices meant a “person from the cut program would bump someone else. That person would bump someone else and so on. The process dragged on for months...In the meantime, the programs that weren’t being cut had New Era commitments to meet, and were expected to do more than before with less resources than before.” That challenge was further exacerbated by bumping provisions as “people who had never done a job were expected to do it faster and better than the person they had bumped, plus take on new priorities.”⁷⁴

Another former official flags a “fundamental flaw” in the voluntary departure program: often those who were most inclined to take a government buy-out were those most able to quickly secure employment in the private sector. As a consequence, the official notes, “government often lost their best and brightest at a time when their skills were needed most.” In more than a few cases, government needed to re-engage those skills through consulting contracts.⁷⁵

Office closures and employee lay-offs made BC Liberal MLA constituency meetings invariably unpleasant or downright miserable in 2002. Chris Tenove describes a town hall meeting held by MLA Dave Chutter (Yale-Lillooet): “Nearly 400 people had come to vent their confusion, frustration and anger...More than 50 public service jobs would be cut. The local office of the Ministry of Forests would be closed, along with the courthouse, the Legal Aid Office, an elementary school, and the Human Resources office”, with decisions on the local hospital pending. The local newspaper publisher described the sudden loss of fifty jobs in Lillooet as “like axing 43,750 of the best-paid and best-educated people in the Lower Mainland, or 5,230 in Victoria.”⁷⁶ The experience of hard-hit communities like Lillooet provided a jarring

⁷⁴ Respondent B, correspondence with the author, 3 February 2016.

⁷⁵ Respondent H, interview with the author, 27 January 2019.

⁷⁶ Chris Tenove, “In the Hurtland,” in *Liberalized*, 38, 46.

reminder that, as Evert Lindquist warns: “Behind the rhetoric and themes of the new public sector management is the reality of fiscal restraint and dramatic restructuring of public services.”⁷⁷

Concern for Cumulative Impacts Prompts a Social Policy Review

As social ministries struggled to cope with severe budget cuts, they were also cognizant of risks inherent in fundamental restructuring: that service reductions in one ministry might lead to caseload pressures in another. The Minister of State for Women’s Equality told the Legislature, “One of the things we did [in preparing budgets] was look at an overview of all the ministries and whether there would be groups that may be disadvantaged or disproportionately affected by the decisions government made. When we did this, it was clear that women and children were going to be bearing the brunt of a lot of these decisions.”⁷⁸

MCFD, MCAWS, and the Ministry of Human Resources (MHR) met regularly to deal with “overlaps, issues and concerns.” One ministry’s “rationalization” as it struggled to meet budget targets could quickly become another ministry’s new cost pressure. For example, when MHR advised that they were cutting the “children in the home of a relative” program, MCFD was rightly concerned such a cut would have “a dramatic impact” on them: “After pointing that out and working out some strategies with them, they were able to keep that program intact. We

⁷⁷ Evert Lindquist, “Recent administrative reform in Canada as decentralization: who is spreading what around and to whom and why?” *Canadian Public Administration*, Vol. 37, No. 3, (Fall 1994), 416.

⁷⁸ Lynn Stephens in *Debates*, 12 March 2002, 1796.

have to keep being aware of the issues as they occur.”⁷⁹ Unfortunately, no amount of collaboration could mask the broad challenges produced by deep budget cuts.

The diminution of social programs through the combination of budget cuts and core review produced a storm of consternation from the media and social service providers. The severity of cuts also perplexed and dismayed some backbench Liberal members. A proposal from MCAWS to remove tens of millions from their \$560 million budget prompted intense debate within a Government Caucus Committee between “MLAs with a larger social conscience against those whose prime objective is smaller government – the Liberal Liberals versus the Alliance Liberals, as one insider put it.”⁸⁰ In one memorable exchange, a distressed MLA asked the MCAWS Minister: “So what happened to the two billion dollars in waste and duplication from the *New Era* document?” No satisfactory answer could be provided.⁸¹

Social ministries – along with the Premier and his Deputy Ken Dobell -- met in Victoria on 15 July 2002 to assess cumulative impacts and the potential for a coordinated response. A background paper entitled “Towards a Coherent Social Policy Strategy for British Columbia” was circulated prior to the meeting. The paper attempted to strike a balance between the relentless retrenchment of the New Era and ongoing service challenges faced by social ministries. “As a result of the current fiscal situation,” it noted, “government policy development is constrained by budget limitations. When a ministry amends its policy (often in isolation) to restrict eligibility for potential clients to meet financial limitations, the result can have a negative impact on client groups that are also served by other ministries.” A “coherent”

⁷⁹ Gordon Hogg in *Debates*, 24 March 2003, 5587.

⁸⁰ Vaughn Palmer, *Vancouver Sun* on-line, 15 November 2001. Proceedings of GCCs were closed to the public but sometimes were leaked to the media.

⁸¹ George Abbott, *Journal*, November 2001.

strategy, it suggested, would enable a “shift towards self-reliance...and reduce long term dependency on government” while recognizing that some challenges exceed “family and community capacity” and may require governmental intervention.⁸²

Some ministerial officials framed the challenge differently. Asked to identify the cumulative sources of gaps in violence-against-women programming, some MCAWS officials revealed an impatience with core review canon:

“- As of 2004-05, resulting from core review, MCAWS will no longer fund Women’s Centres, which provide referral and support for women victims of violence....

-As of 2003/04, resulting from core review, MCAWS will no longer fund the Bridging Employability Program, a program for women on Income Assistance who have experienced violence that prepares women for entering the workforce....

-As of 2002/03, resulting from core review, MCAWS will no longer provide funding for core training of Transition House workers, and counsellors in Stopping the Violence and Children Who Witness Abuse programs....”

They argued that gaps were further exacerbated by loss of funding for Aboriginal family violence initiatives, reductions to victim services, courthouse closures, cuts to legal aid, reductions in MHR supports to women fleeing abusive relationships, and reduced access to safe and affordable social housing thereby prompting a return to abusive relationships.⁸³

Similarly, MHR noted that a new requirement that parents must seek employment when children reach age three “may result in poor outcomes for young children. Research from other jurisdictions shows increased incidence of abuse and neglect with similar policies.” Further,

⁸² Author unknown but likely produced by the Premier’s Office, “Towards a Coherent Social Policy Strategy for British Columbia,” 4 July 2002, 1-2.

⁸³ MCAWS, “Social Policy Strategy for Government”, 27 June 2002, 1-2.

income assistance clients, even with young children, could potentially lose supports under “two-years-in-five” time limits if unable to find work despite best efforts.⁸⁴

Ministries offered up thirty pages of concerns such as elimination of at-cost hearing aids for children and seniors, reduction of dental care for children of income assistance recipients, new user fees for geriatric residential care at Riverview Hospital, elimination of funding to the Regional Aboriginal Health Council and the Aboriginal Health Association (both of which offered early intervention on family violence), and MHR policy changes that impacted clients aged 60 to 64 including time limits and reduced support rates. These thirty pages of concerns were a compendium of cuts which ministries found grievous or objectionable but which they were nevertheless obliged by budget targets to undertake.

Typically, proposals to mitigate social impacts were greeted with a splash of cold fiscal water: “Ministries are expected to identify any risks to their budgets and develop mitigation plans to ensure that their budgets and the government’s bottom line are not compromised. Any policy proposals with financial implications must be reviewed by Treasury Board prior to proceeding to [GCCs].” Any new initiatives would have to be funded internally by “reprioritized spending,”⁸⁵ As one official noted, “In a social ministry, every dollar has somebody’s name on it; reprioritizing spending is redistributing heartburn.”⁸⁶

The social ministries raised real world issues that could not be resolved without supplemental funding from broader government. The latter responded with suggestions of how to do more with less, typically invoking New Public Management staples like “streamlined

⁸⁴ Chart attached to “Towards a Coherent”, 4, 27.

⁸⁵ Gary Collins to George Abbott, 18 February 2003, 2.

⁸⁶ Respondent C, interview with the author, 5 June 2018.

service delivery” or “enhanced strategic planning and management”. Unfortunately, even the best management advice was not an effective substitute for the massive loss of fiscal resources.

The Drive to Survive: Points of Resistance in the New Era

Only eight months into the New Era, the senior public service was worn down by the process barrage of core review, budget target review, deregulation, service plans, *New Era* commitments, ministerial reorganization, budget cuts, staff reductions, service delivery reform, and the “90 day” agenda. The draft “270 day plan” tendered in January 2002 (an amalgam of ministerial initiatives, generated at the Premier’s request, to meet *New Era* and other commitments) was greeted with scant enthusiasm. As noted in Chapter 3, the Deputy Ministers’ Council warned that “there are far too many initiatives going on and the system will not be able to sustain the workload (‘system will implode’).”⁸⁷

Senior officials in the Premier’s Office appeared to understand and sympathize with comments such as “too much on the front burner to do it all, much less do it well” and “we need to pace for 2002.”⁸⁸ The “assumptions” which prefaced the draft 270 day work plan also conveyed some understanding of the pressures facing ministries: “Virtually all Ministries will be undergoing restructuring and downsizing as an outcome of the Core Services Review initiative and the Treasury Board process; for many Ministries this will require a great deal of time spent planning and implementing in this 270 day period.”⁸⁹

⁸⁷ Internal document, “Cabinet Planning Session: the Next Six Months,” 18 January 2002, 1.

⁸⁸ Premier’s Office, “The Next Six Months: Deputy Ministers’ Council”, 22 January 2002, 1.

⁸⁹ Internal document, “Confidential Draft 270 Day Work Plan”, 18 January 2002, 2

None of that sympathy and understanding resulted in an easing of the process and product workload. For example, identified priorities within the draft plan for MCFD included:

- “Develop plan for greater local service delivery”
- “Deregulation: *Child, Family and Community Service Act*”
- “Implement Deregulation Plans”
- “Build service delivery capacity in Aboriginal communities/ review opportunities for federal funding”
- “Redesign funding model”
- “Child prostitution (new legislation, *Safe Care Act*)”
- “Streamline youth correctional facilities, amend *Correction Act*”
- “Review and amend *Adoption Act*”
- “Long Term autism strategy”
- “Develop and implement plan to improve child and youth mental health services”.⁹⁰

These priorities would be extraordinarily daunting even with a full and stable staffing complement and even without simultaneous processes like core review, deregulation, regionalization, and devolution. Remaking the world required attention to many moving parts, as demonstrated in the case studies offered in Chapters 6, 7, and 8.

The Heartlands Economic Strategy: Unofficial Retreat from Remaking Government

The Campbell government ranks, particularly its rural and Interior MLAs, were feeling bruised and beaten by the unrelenting stream of bad news through 2002, prompting the Premier to deliver a televised “state of the province address” on 12 February 2003. The address was multi-purpose. First, he aimed to remind viewers of the positives like “almost a billion dollars in the pockets of British Columbians” via tax cuts, new jobs and a drop of 55,000 in people on premium assistance. He also aimed to put a more human face on government by converting

⁹⁰ “Six-month plan by ministry,” 4 February 2002, no page numbers

some pain to gain, notably by bumping up the income exemption for people with disabilities. “We have made progress”, he said, after “some pretty difficult decisions. We understand that. And some of them have been pretty tough on you and your communities.” Now was the time for reinvestment in those communities (known as the “Hurtlands” among some cynics) through the Heartlands Economic Strategy.⁹¹

Headlining the Strategy was \$609 million for rural, remote, and resource roads funded by a 3.5 cents per litre addition to the gas tax. “I want you to know this,” Campbell added, “every single cent will be spent on transportation improvements.” The new tax raised short-term protests but also raised revenues to bankroll a continuous flurry of good-news construction announcements across the province. The new tax also indirectly supported the government’s retreat on its controversial attempt to institute tolls on inland ferries, a particularly unpopular initiative in areas where dams and flooded valleys had created the need for ferries.

Campbell also used the transportation theme in attempting to reframe the *New Era* commitment to “not sell or privatize BC Rail.”⁹² In the opening salvo of what became another long and painful chapter in the province’s history, Campbell declared: “Some people have suggested we should sell BC Rail. We simply won’t do that.”⁹³ However, he left the door open to “innovative solutions” including, as subsequently embraced, a 999-year lease of the railbed to the Canadian National Railways. As the cabinet considered the results of a BC Rail request for proposals in the spring of 2003, the government’s flagship privatization initiative – sale of the Coquihalla concession to a private operator – was quickly falling apart.

⁹¹ “Heartlands” was likely derived from a 2002 report entitled *British Columbia’s Economic Heartland Report* cited Lacharite and Summerville, 100.

⁹² *New Era*, 9.

⁹³ Premier Gordon Campbell, “State of the Province Address” on-line, 12 February 2003, 1-4.

How the Coquihalla became NOT for Sale

Much like the governments of David Lange in New Zealand and Margaret Thatcher in Great Britain, and consistent with BC Social Credit's contracting out of highways maintenance in the 1980s, the Campbell government laid considerable emphasis on competitive tendering and privatization, ostensibly with the goals of smaller government and better value for taxpayers (and all core staples of NPM). Maintenance of parks, recreation, and heritage sites, the catering and cleaning of hospitals, among many other functions were offered up for competitive tenders.⁹⁴ Partnerships BC was created as the instrument of public-private partnership in construction of major infrastructure like hospitals, bridges, and highways.

The Campbell government's flagship for privatization was sale of the Coquihalla highway concession. Two years into the New Era, tensions were running high in portions of the southern Interior adjacent to the Coquihalla. Sale of the toll concession was neither a *New Era* platform nor a campaign commitment and as the process moved forward and became public knowledge, regional opposition took hold and grew. Initial opposition was strongest in Kamloops but soon became intense, visceral, and emotional across much of the southern Interior. Residents contended that they had "already paid for the Coquihalla through tolls" and suspected that they would pay even more to a private operator.

Growing grass-roots opposition to "privatizing the Coq" was reflected in the proliferation of "The Coquihalla is NOT for sale" signs in shop windows, places where BC Liberal MLAs might normally find predictable support. Those same MLAs enjoyed strong attendance at their

⁹⁴ Pollitt and Summa, 9-10. MCSE nursed plans for privatization of BC government liquor stores, along the lines Alberta's retail liquor privatization, the initiative was abandoned in 2003.

constituency annual general meetings but, one noted, “virtually every question revolved around the Coquihalla...Sentiment is strong enough that several current or prospective Executive members refused to stand for the new Executive. A number of those who did stand told me they did so to support me, notwithstanding their anger.” That reaction was common across at least a dozen constituencies.

One southern Interior MLA in a confidential note to the Premier argued that the Coquihalla debate had “become a lightning rod for a range of regional discontents” from hospital, school, and forestry office closures to the tolling of Interior ferries: “While some of the criticisms are from predictable sources, we should be very concerned with the alienation of those who have stuck with us through the rough patches: our own party members, businesspeople, many seniors and many in local government. I am not at all confident that this situation can be contained if uncertainty persists for long.”⁹⁵ Campbell remained at least officially unpersuaded on 19 June 2003 when an opinion poll came in very heavily against the sale of the Coquihalla concession. “I understand some of the concerns,” Campbell argued. “But I also understand all over B.C. people are asking for additional transportation improvements.”⁹⁶

The very real threat of a resurgence in provincial Reform and/or Conservative parties was undoubtedly part of the political calculus in dropping the initiative. “We had a good business plan that made a poor public case,” Campbell said in a press release of 23 July 2003, “it’s time to put that plan behind us and move on.” The failed privatization of the Coquihalla concession was confirmation that “supply of a technically proficient solution to a policy problem is not a sufficient condition to produce a politically effective demand.”⁹⁷ Despite the loss of revenue

⁹⁵ George Abbott, MLA (Shuswap) to Gordon Campbell, 15 June 2003, 1-2.

⁹⁶ Cited in Les Leyne, *Victoria Times-Colonist* on-line, 19 June 2003.

⁹⁷ Richard Rose, “What is Lesson-Drawing,” *Journal of Public Policy* II (1991): 27.

“the partnership would have provided,” the \$300 million in infrastructure improvements announced since February would still proceed. The government could not afford any more political hurt in the Heartlands.⁹⁸

Although “smaller government” was never explicitly mentioned in the *New Era* document, it was obviously front-and-centre in Gordon Campbell’s mind as he assembled the multiple processes launched in his mandate letter to ministers. Processes were contemporaneous not sequential and proved enormously challenging for ministers and public servants. Many of the process demands and dilemmas discussed above were reflected in the experience of MCAWS. As an amalgam of seven former free-standing NDP ministries, MCAWS frequently found itself on the wrong side of the firing line in the battle against “big government.”

⁹⁸ Office of the Premier, new release “Province will not proceed with lease of Coquihalla”, 23 July 2003.

CHAPTER 6

COMMUNITY, ABORIGINAL AND WOMEN'S SERVICES: MINISTRY OF LOST CAUSES?

"Nobody told me there'd be days like these, Strange days indeed" – John Lennon¹

As new ministers were being sworn in on 6 June 2001, the BC government released a ministerial “summary of responsibilities” as a handy guide to the largest-ever cabinet in BC’s history.² One new ministry -- Community, Aboriginal and Women’s Services (MCAWS) -- was notable not only for its expansive title, but also for its extensive list of responsibilities. The new ministry encompassed thirty-one “general responsibilities” drawn from, in whole or in part, seven former NDP ministries. Among those responsibilities were a host of socially sensitive policy areas: multiculturalism, immigration, Aboriginal services, child care, arts and culture, social housing and leaky condominiums, violence against women, and others. The unique character of the new ministry prompted Opposition leader Joy MacPhail’s rechristening as “the ministry of lost causes.” The nickname was neither the last nor the least appropriate nickname MCAWS enjoyed.

Early reductions in MCAWS funding, announced in Finance Minister Gary Collins’s Economic and Fiscal Update of 30 July 2001, brought recasting (in the black humour of the day) as “the incredible shrinking ministry.”³ Some programs of the former NDP government did not survive long enough to be considered in core review. For MCAWS, this first wave of “smaller government” saw the virtual elimination of what had, under the NDP, been the free-standing

¹ John Lennon, “Nobody Told Me”, *Milk and Honey*, 1984.

² www.gov.bc.ca:80/bcgov/popt/summary/ Disclosure and reminder to readers: the author of this dissertation, George Abbott, was Minister of CAWS from 2001 to 2004. With 77 Liberal MLAs, the demand for smaller government would not affect cabinet size.

³ The moniker in this case was drawn from the journals of George Abbott from the period. Not everyone shared his sense of humour.

Ministry of Community Development, Cooperatives and Volunteers (CDCV). CDCV was stripped of its entire \$7 million budget, a discordant note in 2001, the United Nations International Year of the Volunteer.⁴ MCAWS learned of the changes through a confidential communication note of 29 July 2001 advising of program reductions and eliminations to be announced the following day in the Fiscal Update. Advance notice was not an invitation to debate, but rather to quickly prepare ministerial responses to the awkward questions that were sure to follow.

MCAWS proved an attractive target for a government intent on proving it was “serious about cutting costs and spending.”⁵ In addition to the \$7 million hit to CDCV, the Update cut \$16 million from child care and \$6 million from social housing.⁶ Those cuts proved to be just a small taste of the “incredible shrinking” that was to come through the budget target review in the months ahead. The unstated expectation of the Premier was that MCAWS would be a flagship for smaller government via devolution, deregulation, attrition, and elimination; unfortunately, that expectation was combined with expansive *New Era* commitments.

MCAWS was home for twenty-four *New Era* commitments, all reconfirmed in the Premier’s mandate letter of 25 June 2001.⁷ Many were of a complex and challenging character: “pass a Community Charter that will increase autonomy for local government”, “implement a flexible, innovative program to increase the supply of affordable housing”, “aggressively support and champion BC’s bid to host the 2010 Winter Olympics”, “increase efforts to protect and

⁴ With similar irony, the MCAWS Minister George Abbott had the ill-fortune to announce the “freezing” (placing under review) of 700 of 1702 units of approved social housing while celebrating Affordable Housing Week. “Freezing” launched the “winter of our discount tent”, one wag noted. *Author’s Journal*, 17 February 2002.

⁵ MCAWS, “Advice to Minister: Fiscal Update Cuts”, 29 July 2001, 1-3.

⁶ The full list of \$50 million in cuts is in Vaughn Palmer, *Vancouver Sun* on-line, 31 July 2001.

⁷ MCAWS, George Abbott, “Mandate Review: First Presentation to the Core Review and Deregulation Task Force”, 20 September 2001, 3.

promote aboriginal languages”, and many more. The Premier also asked MCAWS to “focus attention” not only on *New Era* commitments but also on what he described as “key projects for which you will be accountable”:

- Examine all service agreements with aboriginal communities (health, education, etc.) and develop a strategy....
- Recommend mechanisms to improve the delivery of services to all aboriginal communities.
- Review Homeowner Protection Office, work with Minister of State for Intergovernmental Relations on federal/provincial funding issues.
- Review Housing, Homeowner and Code issues and rationalise regulation of the construction/housing industry, and develop a plan to deal with the immediate “leaky condominium” problem.
- Review the *BC Heritage Trust Act* and disclosure provisions.
- Examine the feasibility of a strategic plan for library services throughout British Columbia.

In addition, MCAWS subsequently became the delivery agent for the *New Era* platform’s “additional 5,000 new intermediate and long term care beds by 2006.”⁸

All of these daunting challenges became exponentially more difficult with the grim news that MCAWS faced a thirty percent budget reduction and a forty-five percent staff reduction (from a June 2001 base of about 1,200 full-time equivalents). As a new ministry with an expansive mandate and contradictory instructions to get dramatically smaller, MCAWS provided a compelling example of what Pollitt and Bouckaert warned against in Chapter 1: “different kinds of objectives will sometimes trade off against each other.... [D]ecision-makers are obliged to decide what they think is most important – they can seldom hope to have everything at the same time.”⁹ Broader government clearly wanted “everything at the same time” and were not

⁸ *New Era*, 25. The 5,000 beds were ostensibly a Ministry of Health Services commitment, but the Ministry was ill-equipped to deliver, under the new Independent Living BC program, housing units for the frail elderly. BC Housing (as an agency within MCAWS) took on the challenge, a strategic marriage in the age of smaller government.

⁹ Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis* (Oxford: Oxford University Press, 2011), 2.

reluctant to demand it; the MCAWS story is one of survival and resilience amidst sustained adversity.

The “270 day” priorities for MCAWS assured no idle hands among those who had survived the 45 percent staffing reduction:

- “*Community Charter*”
- “Develop new *Safety Standards Act*”
- “Develop Childcare Plan”
- “Develop plan to deal with aboriginal urban issues and build capacity”
- “Review and make recommendations on inventory of transition houses and emergency shelters”
- “Establish First Citizens Forum”
- “Leaky Condo Plan”
- “Review service agreements with Aboriginal communities”
- “Community Transition Assistance: Thasis, Skeena communities, central coast”
- “30 Day Deregulation Submissions”
- “Rationalization of housing, homeowner, code and regulations”
- “Streamline *Local Government Act*”
- “Legal protections for local government”
- “2010 Olympics”
- “Streamline *GVSWDD Act*”.¹⁰

A brief deferral was offered for an Aboriginal languages preservation plan but, as a *New Era* commitment, it could not be realistically set aside. Burn out? No time for that!

Core Review: MCAWS Embraces New Public Management

With its thirty-one general responsibilities and thirty-three agencies, boards, and commissions (ABCs), MCAWS was destined to receive plenty of attention in the core review process. The Ministry’s first visit to the core review committee, now chaired by Premier Campbell, was on 20

¹⁰ “Six-month plan by ministry,” 4 February 2002, no page numbers. GVSWDD was the Greater Vancouver Sewer and Water District.

September 2001. MCAWS attempted to embrace the language and spirit of New Public Management (NPM) by offering nine “fundamental shifts” to its business model:

- From Direct Delivery...to Third Party Supplier
- From Victoria leadership...to Community Leadership
- From Charity...to Investment
- From Subsidies...to Capacity-building
- From Silos...to Integrated Service Delivery
- From Over-regulation...to Self-regulation, minimal regulation
- From Unfocussed funding...to Performance-based outcomes
- From Duplicate Services...to Shared Service Delivery
- From Boutique ministries...to an Accountable, professional, integrated organization.¹¹

MCAWS completed the NPM cornucopia with the promise, as a next step, to undertake an “analytical review of specific programs and activities to identify: elimination, reduction, consolidation, transfer to private sector, transfer to other units within government, and build local government capacity.”¹²

The MCAWS presentation even embraced the Premier’s mandate letter direction “to examine the approach being taken in other jurisdictions;” it offered an example of potential (and ultimately successful) policy transfer with references (on integrated service access) to Australia’s Centrelink, Ontario’s Government Information Offices, and Service New Brunswick (which subsequently became the model for Service BC). MCAWS was home for Government Agents (GA) offices across the province. Initially, the ministry nursed concerns that at least some GA offices might fall victim to core and budget target reviews. That concern proved unfounded as GA offices took on enhanced importance with the extensive closure of provincial offices

¹¹ George Abbott, Minister of MCAWS, *Mandate Review: First Presentation to the Core Review and Deregulation Task Force*, 20 September 2001, 8.

¹² *Ibid.*, 15.

including (among others) human resources, children and families, forestry, conservation, and land titles. Government Agents as Service BC became the effective storefront for a host of services that no longer had independent offices.

The MCAWS Minister believed the core review presentation was comprehensive and inspired.¹³ The committee was less than impressed: “How would all of those words make government smaller and more effective?”; “What, exactly, was the Ministry going to stop doing tomorrow that it was doing today?”; “Why was the Ministry continuing ineffective programs that the NDP had created?” Such questions were indicative of the very considerable difficulty MCAWS experienced in attempting to hit the right notes in rethinking, remaking, and reinventing government.

MCAWS was back to core services review on 5 November 2001. In response to the committee’s “vision for the future” questions, MCAWS promised a ministry that was “much smaller” and “committed to innovative service delivery through e-government and third-party service providers.” The biggest change from September was the addition of a section entitled “Non-Core Functions – Eliminated”, which was clearly the gold (or more rudely “the blood on the floor”) the committee was waiting to see. Ten program areas were proposed for elimination. Some – like Cooperatives and Volunteers – had already been effectively eliminated by the budget cuts of 30 July 2001; others – like elimination of audiobook production, multicultural programs, BC Festival of the Arts, and funding for Women’s Centres – proved highly controversial and politically painful.

¹³ Disclosure: the author George Abbott was the MCAWS minister

By November, the twin pressures of the core and budget target reviews to “make government smaller and more affordable” were intense, visceral, and personal for both ministers and public servants. Ticking one more box in the “elimination” category was the equivalent of taking one more bullet for the team. No entity or program was too small nor too politically sensitive to escape scrutiny. Failure to act on the smaller government imperative was viewed as failure to show courage and commitment to the Campbell team. Elimination, as discussed in Chapter 5, was the Premier’s preferred outcome and the easiest route of escape from core review.

The drive for smaller government became a noble mission inspired by legends drawn from Sir Roger Douglas and the New Zealand restructuring experience, “show courage, be decisive, take the pain, and then be judged on the longer-term benefits.”¹⁴ The drive for smaller government through cuts that were “bigger, faster, and deeper” provoked the constant danger of moving, as one official put it, from “out-of-the-box thinking to out-of-your-mind thinking.” The constant demand to produce more with less brought frequent invocation of Green’s Law: “Anything is possible if you don’t know what you’re talking about.”¹⁵

MCAWS was, as noted, the home for 33 of the 730 agencies, boards, and commissions (ABCs) identified in the Premier’s Office count. As a result of the November core review meeting, three of the 33 ABCs were eliminated or winding down, five were referred to the Administrative Justice core review stream, four to Crown Agencies Secretariat review, and the balance referred back to the Ministry for further review. Those processes ground on until 17 May 2002 when the Premier advised that far too many ministers and deputies had embraced the

¹⁴ The quote paraphrases more extensive comments from Douglas found in Chapter 3, unwinding the BC Liberal DNA and Barry Cooper, *The Klein Achievement* (Toronto: University of Toronto Press, 1996), 68.

¹⁵ In MCAWS, humour was a tool of survival and the author acknowledges the public servants who provided it.

status quo, hence failing to capture the spirit of smaller government.¹⁶ The Premier's missive provided one more opportunity for ministers and ministries to be "extremely creative and diligent" in their consideration of ABC elimination. Failing that, ministers and deputies were scheduled for a visit with the recently-convened External Panel where the sufficiency of their analytical rigour would again be tested.

The External Panel provided a compelling example of how, in the haste to remake government, various processes inspired by New Public Management could (to borrow Pollitt and Summa's words) move from mutually supportive to mutually contradictory. As noted in Chapter 5, devolution of the Safety Engineering Services Branch (SESB) out of MCAWS and into an independent special purpose authority, consistent with the goal of "steering not rowing;" easily won approval from the core review committee. In the midst of extensive consultations on devolution, MCAWS was obliged to defend the continued existence of the Building Safety Advisory Council – a key support to the SESB – in front of the recently-convened External Panel.¹⁷

The MCAWS minister and deputy argued that elimination might disrupt or derail consultations leading to devolution of the Branch and – by extension – the Council; further, they argued that budget and staffing reductions (as noted in Chapter 5) had "significantly reduced the ministry's capacity to deal with current and emerging regulatory and policy issues," particularly given concurrent demands for regulatory reductions. MCAWS was under pressure to serve up a one-third reduction in regulations, a daunting task in the area of technical safety. Regulated technologies – such as gas, electrical, boilers, and elevators – could not be deregulated without

¹⁶ British Columbia, Premier's Office to all ministers and deputies, "Core Review of Ministry Agencies, Boards and Commissions", 17 May 2002, 1.

¹⁷ The External Panel recommended elimination of the Council. See Chapter 5, pages 96-98.

extensive consultation and professional review, both aimed at the broader goal of protecting public safety.¹⁸ The process tools of core review and deregulation (and great haste to show results from both) thus threatened to undo SESB devolution and the broader goal of smaller government.

The juxtaposition of ambitious *New Era* commitments against core and budget target review objectives sometimes produced results that were awkward if not overtly contradictory. For example, the sport and physical activity branch was slated to lose one-quarter of its budget just as MCAWS was leading government's drive for the 2010 Olympics. The Ministry pressed the obvious disjunction between hosting one of the world's highest-profile sporting events while simultaneously eliminating supports to the BC Seniors' Games and other amateur sports activities, successfully retaining their budget for the branch.¹⁹

At times MCAWS was literally pulled in two directions at once: double to \$44 million the Physical Fitness and Sport Fund, but terminate monetary contributions to the Athlete Assistance Program and to the National Coaching Institute; create an Olympic Arts Fund while simultaneously eliminating funding to the BC Festival of the Arts; protect and promote Indigenous languages, but eliminate the First Peoples' Heritage and Culture Council (created by the NDP government in 1996). In the early years of the New Era, "smaller government" and expenditure reduction invariably trumped programmatic coherence.

¹⁸ Within the five safety committees, members provided "their expertise free of charge" versus consultants at \$125 per hour (an estimated \$300,000 per annum), no small consideration for a ministry in MCAWS straitened circumstances.

¹⁹ Judith Lavoie, *Victoria Times-Colonist* on-line, 4 July 2003.

Heritage in the Hurtlands: “Even Ghost Towns are becoming Ghost Towns!”

The management of public lands and of the heritage resources on them provided one more opportunity to be pulled in different directions simultaneously. The *New Era* document promised creation of a BC Trust for Public Lands “to encourage and facilitate the expansion of public lands through private land donations.”²⁰ As part of core review, the existing BC Heritage Trust – which existed as an entity within government – was shut down and its assets (along with a five-million-dollar initial endowment from government) rolled into the new BC Trust for Public Lands – officially decreed “an entity outside of government”. With the elimination of the old Trust and its replacement by the new Trust, government was (in theory at least) ever-so-slightly smaller and, just as importantly, another *New Era* promise was fulfilled.²¹

The *New Era* platform was silent on heritage resources but core review direction was definitive: get out of the heritage business. A communications note of 27 May 2002 was less than subtle: “Running heritage attractions is not a core service of government – providing policy, direction and standards for the preservation of provincial heritage values is.” Heritage sites were “attractions” not, in a different telling, irreplaceable touchstones of our history. Government’s role in heritage management (in a classic Gaebler and Osborne demarcation of roles) should be steering (“policy, direction and standards”) not rowing (“running attractions”). “The provincial government recognizes the value of heritage sites,” the note continued, “as well as the need to responsibly manage public dollars.” The note promised savings of \$1.5 million starting in 2004 and, perhaps as important to some, the dream of smaller government would be one step closer.²²

²⁰ *New Era*, 13.

²¹ *Debates*, 27 March 2003, 5701.

²² MCAWS, “Transferring of Management of Heritage Sites”, 27 May 2003, 1, 3.

Confronted by the harsh reality of dramatic budget and staff reductions, the MCAWS minister and ministry executive were always receptive to solutions beyond wholesale elimination of programs and positions. The sale of heritage sites, the privatization of the Royal BC Museum, or a formulaic reduction in safety services generated no enthusiasm within MCAWS. Devolution embraced “steering not rowing” without the pain of privatization and lay-offs. Within the heritage portfolio, thirty sites were identified as candidates for devolution, typically involving transfer of ownership and operational responsibility to a non-profit or local authority. Most were designated National Historic Sites but without federal subsidisation.

In some cases, properties were transferred free of charge to First Nations, the Land Conservancy, or the Royal BC Museum; in other cases, like Fort Steele, Barkerville and Hat Creek Ranch, sites also enjoyed the legal status of Class A Provincial Parks. Further, these prominent sites had “province-wide not just local heritage significance” and many artifacts had been donated “with the expectation that they would be preserved and maintained by the Province for the enjoyment and education of all British Columbians.”²³ The Ministry’s objective in such cases was to identify local or non-governmental management entities and move operations out of government.

Heritage devolution met fierce resistance in small communities like Wells that directly and indirectly derived almost all its employment from Barkerville. Resistance even gave rise to caustic humour such as a brochure entitled “Visit the New Ghost Towns of British Columbia”. Author Murray Bush exhorted readers to see “abandoned schools, hospitals, courthouses, forestry offices, entire towns! Even ghost towns are becoming ghost towns!”²⁴ Critics rightly

²³ MCAWS, “Heritage Devolution Status Report”, 1 October 2002, 21.

²⁴ Bill Horne, “Naked Defiance in Barkerville. Literally”, in *Liberalized*, 43-44. Murray Bush, artist and activist, wrote the brochure.

disparaged the notion that heritage resources could be preserved, protected, and presented to the public without ongoing governmental support. On heritage, government could not hope “to have everything at the same time” without more hurt in the Heartlands. The challenge of reconciling principle and politics also emerged in municipal affairs.

The *Community Charter*: High Principle Meets Raw Politics

Premier Campbell offered some good news to the Union of BC Municipalities convention in September 2001 by committing to cut no local government grants. His commitment was consistent with the *New Era* pledge “to outlaw provincial government ‘offloading’ of costs onto municipal governments” via a *Community Charter*, but it also (like the exemption of Health and Education) created a shallower pool from which savings could be drawn. Provincial grants to “autonomous” local governments would surely not have “clearly and compellingly” met the five core review tests, but Campbell was loath to scuff the gloss off the long-promised *Community Charter* before it was even completed.²⁵

The *Community Charter* was well connected with New Public Management principles. NPM embraces the principle of “subsidiarity” which suggests that services and decision-making entities supporting those services should reside closest to the people who receive them. In the political vernacular, senior governments should “strengthen local autonomy” or “empower local government and get out of their way.” A less intrusive hand from the province implied, in theory at least, a smaller provincial bureaucracy necessary to manage municipal affairs. The *Charter*

²⁵ In sharp contrast, as noted on page 26, Alberta’s Ministry of Municipal Affairs had the unenviable distinction of having (at 47 percent) the highest budget cut in Ralph Klein’s overall 17 percent cut to the provincial budget.

would offer, in NPM terms, a “rationalization of jurisdiction” that would maximize public benefit by minimizing intergovernmental interference.²⁶

The *Charter* was also well connected with Gordon Campbell as a political leader in local and provincial government. A draft Charter was first endorsed by UBCM (and their then-president Gordon Campbell) in 1991 and subsequently reintroduced as a private member’s bill in 1995 by Opposition leader Campbell.²⁷ The Charter’s import was re-emphasized in the *New Era* document with promises (twice-repeated) to “outlaw offloading” from provincial to local governments and to “increase autonomy” for the latter.²⁸ In his introduction of the *Community Charter*, Minister of State Ted Nebbeling argued that the *Charter* “goes further than any other legislation of its kind in Canada in treating local government as an order of government based on principles of municipal-provincial relations.”²⁹

The *Charter* was a “90 day agenda” item that became a two-year consultative process “after municipal leaders raised a host of concerns – financial, jurisdictional and otherwise.”³⁰ Giving practical statutory expression to the platitudinous rhetoric of early versions of the Charter proved challenging and the Union of BC Municipalities (UBCM) was in “show me” mode, demanding substance to back up the rhetoric. The eventual legislative introduction in March 2003 came with the expansive claim of “most empowering local government legislation in Canada.”³¹

²⁶ See for example Gernod Gruening, “Origin and theoretical basis of New Public Management,” *International Public Management Journal* 4 (2000): 2.

²⁷ *Debates*, 21 August 2001, 1025.

²⁸ *New Era*, 4 and 8.

²⁹ *Debates*, 29 April 2003, 6295.

³⁰ Vaughn Palmer, *Vancouver Sun* on-line, 29 November 2001.

³¹ Press release cited in Vaughn Palmer, *Vancouver Sun* on-line, 12 March 2003.

The *Charter* had its roots in a 1980s Federation of Canadian Municipalities campaign to recognize municipalities as an order of government within the Meech Lake Accord.³² When that campaign failed, debate shifted to the “broad powers” model, providing municipalities with more authority to create their own services without the requirement of provincial approvals, assuming such services did not offend existing constitutional powers. The first application of the broad powers model was in Alberta in the late 1980s/early 1990s.³³

In British Columbia, the Glen Clark NDP government attempted to mend some fences with UBCM by agreeing to develop a broad powers model. This process engaged substantial policy transfer from Alberta and, to a lesser extent, Ontario (which had its own fences to mend after controversial amalgamations in Toronto as well as other cities). The *Community Charter* was the product of extensive consultation and negotiation with UBCM and other players, but as one key official noted: “The Charter project essentially needed to repackage and rebrand what had already been done into something the Campbell government could claim as its own.”³⁴

At least one key element in the Campbell support base – “the special interest his government courts more than any other, the BC business community”³⁵ – was less than enamoured with an expansion of local government powers. For Campbell, the *Community Charter* was a “win-win” on the road to a smaller provincial government; for business, local governments freed from provincial constraints represented a greater threat than the *status quo*. “We see it as fraught with potential dangers,” said John Winter of the BC Chamber of Commerce, while the BC Business Council believed the *Charter* “could add to the existing

³² Municipal institutions are within the constitutional authority of the provinces. The author is indebted to Respondent A for insights with respect the evolution of *Community Charter* components.

³³ Respondent A, correspondence with the author, 3 December 2018.

³⁴ Respondent A, correspondence with the author, 3 December 2018.

³⁵ Vaughn Palmer, *Vancouver Sun* on-line, 3 April 2003.

thicket of taxes and regulation.” Business demanded “checks and balances” that would, in Nebbeling’s view, “fundamentally change the nature of the charter.” A retreat to meet business objections would severely alter the government’s “legislative intentions.”³⁶

Business found a more sympathetic ear at the Ministry of Competition, Science and Enterprise (MCSE), home of government’s deregulation initiative. The competing interests and perspectives of UBCM and business organizations proved irreconcilable despite the efforts of MCAWS and MCSE. The result was a pitched battle between powerful adversaries, both with robust connections to the Campbell government, and both effectively employing the rhetoric of that government (“enhance local autonomy” versus “don’t add to the existing thicket of taxes and regulation”) in attempting to frame issues in ways that would resonate with government.³⁷

As MCAWS was attempting in the Spring Session of 2003 to finalize provisions within the *Charter*, MCSE was pressing forward with a body of countervailing measures which, in the Fall Session of 2003, was introduced as Bill 75, the *Significant Projects Streamlining Act* (*SPSA*). The *SPSA* provided the Province with the statutory authority to override local zoning and land-use controls in circumstances where those conflicted with the deemed provincial interest; it promised, in the words of the *SPSA*’s sponsor, the Minister of State for Deregulation Kevin Falcon, to “cut red tape” and “remove unnecessary costs and delay.”³⁸ The *Charter* promised to end provincial paternalism; the *SPSA* was the statutory embodiment of “the province knows better,” at least on “significant” projects, than short-sighted local governments.

³⁶ Cited in Palmer, *Vancouver Sun* on-line, 3 April 2003.

³⁷ Christopher M. Weible offers a useful framework for assessing competing policy subsystems in “Expert-Based Information and Policy Subsystems: A Review and Synthesis”, *The Policy Studies Journal*, Vol. 36, No. 4, 2008, 625.

³⁸ www.bcliberals.com/news/newsarchive2001/news1140301.asp

Bill 75 encountered strong opposition from the UBCM and even a few BC Liberal MLAs. For example, MLA Blair Lekstrom (Peace River South) argued, “we’re stepping into jurisdictions that I believe wholeheartedly should remain within the realm of local government and those bodies to act upon.”³⁹ Falcon argued that provincial power to override local bylaws already existed via section 874 of the *Local Government Act*. In response, UBCM pointed out that section 874 was enacted in 1977 and had never been used in the over 25 years it had existed. The *Charter* “promised us recognition as an independent, accountable and responsible order of government,” wrote UBCM, “Bill 75 has a minister assuming all the powers of a duly elected council or board and substituting his/her decisions for those of local councils and boards...”⁴⁰

Unable to reconcile competing interests within the bounds of a single statute, and not wishing to alienate either, the Campbell government sacrificed statutory coherence for political expediency. Both bills received final approval of the legislature and royal assent; the *Significant Projects Streamlining Act* remains in the statute books but has never been invoked. The Campbell Liberals had fallen short of the lofty expectations cultivated in the *New Era* document. “At the end of Gordon Campbell’s first term,” Paddy Smith argues, “the provincial-municipal relationship was still more top-down than locally led.”⁴¹ High principle was sacrificed on the altar of political expediency.

³⁹ 17 November 2003, 7965. MLA Nettleton also openly opposed on 20 November 2003, 8099.

⁴⁰ 20 November 2003, 8094. MacPhail cited letters from UBCM presidents Patricia Wallace (7 May 2003) and Frank Leonard (7 November 2003).

⁴¹ Patrick J. Smith, “Local Government Legislative Reform in British Columbia: The Gordon Campbell Decade, 2001-11,” in Lacharite and Summerville, 110.

Women's Services: Ambiguity and Uncertainty Prompt Fear and Loathing

The simultaneous demand for both smaller government (via core review) and reduced expenditures (via budget target review) acted in tandem to drive cuts that often appeared petty and mean-spirited. Among such cuts was a \$47,000 annual grant to each of thirty-seven women's centres around the province. The Minister of State for Women's Equality Lynn Stephens argued, under questioning in Estimates, that the centres are "primarily resource, referral and advocacy. Therefore, we decided that we are protecting the priority essential services: direct crisis intervention services for women... We have committed to working with them to find the replacement for the \$47,000 or to find partners in their communities."⁴²

Why, for a \$1.7-million-dollar maximum saving, would a ministry suffer the political grief of de-funding a service to vulnerable women and children? Part of the answer lay in the Minister of State's reference to advocacy: some in caucus and cabinet believed that women's centres were a locus of political hostility and that funding the centres was effectively funding political opposition. Another part of the answer lay in the relentless demands for every ministry to "do their part" in shrinking both government and future deficits, regardless of short-term political optics. By 2003, support to women's centres came in the form of a \$3,000 grant "to each of them to explore ways in which they can partner with other organizations in the community....to find ways that those services they currently provide will be able to be accessed by women in communities."⁴³ Those services were worthy of support from others, but not of

⁴² *Debates*, 12 March 2002, 1836.

⁴³ *Debates*, 1 April 2003, 5850.

support from government – an extraordinarily awkward and discordant message when juxtaposed against *New Era* commitments on domestic violence.⁴⁴

The fiscal imperative sometimes pushed decisions forward prematurely to match up with timelines for budget and core reviews. In 2002 ministerial Estimates, the Minister of State for Women's Equality acknowledged that the Bridges Employment Training Project – which provided support specifically to women emerging from abusive relationships – was being terminated. She recognized “there is a need there, and we are committed to making sure we meet those needs” but through core review the Ministry had determined that funding would be focused on “direct essential priority services” and “the bridging program is one that can be maintained in another ministry.”

She was, she noted, “in discussions” with the Minister of Human Resources (MHR) to determine “whether or not the bridging program will be able to be incorporated into his plans in some form.” She wanted to ensure that “women who are leaving abusive situations and trying to get back into the workforce have the opportunity to do that” but, given discussions were underway but not concluded, good intentions came with no guarantees.⁴⁵ For the Bridges program, the twin imperatives of smaller government and expenditure reduction trumped programmatic certainty. As discussed in Chapter 5, Bridges became one more “vital” program endangered by cumulative impacts across social ministries.

⁴⁴ The *New Era* twice promised a *Domestic Violence Prevention Act* on pages 26 and 31.

⁴⁵ *Debates*, 12 March 2002, 1821.

Expansion of Child-Care Spaces Confronts Contraction of Funding

The outgoing NDP government had created some high expectations for new child-care programming in the weeks and months prior to the 2001 election. The *Child Care BC Act* that received Royal Assent on 29 March 2001 envisioned \$14 full-day care subsidised at an estimated \$400 million annually through the Financial Assistance Program (FAP) to licensed day care centres. The FAP was an early candidate for Treasury Board scrutiny. MCAWS prepared an extensive communications package for ministers in anticipation of cuts to daycare that soon followed in the 30 July 2001 Economic and Fiscal Update.⁴⁶

The *New Era* platform offered two child care funding commitments, one to “target funding to help parents who need it most,” the other to “increase child care choices for parents by encouraging the expansion of safe, affordable child care spaces.”⁴⁷ In the early New Era, helping “parents who need it most” meant removing subsidy from those deemed less needy: targeted funding simply meant fewer dollars being distributed, via a reduced income threshold, to fewer clients. The latter commitment around “safe, affordable child care spaces” was also cast into doubt by early cuts. By August of 2001, BC Liberal MLAs sensed a growing and disconcerting gap between the reassuring words of the *New Era* document and the harsh reality of self-induced austerity. On child care, MLA Ida Chong (Oak Bay-Gordon Head) pointed to “a lot of confusion out there in the public. There is some confusion...as to what parents are going to be able to access in the fall and what is going to happen in January.”⁴⁸

⁴⁶ MCAWS, “Communications Plan: *Child Care BC Act* Amendments”, 27 July 2001, 1, 6. See also Katherine Teghtsoonian, “Social Policy in Neo-liberal Times,” *British Columbia*, 314

⁴⁷ *New Era*, 26.

⁴⁸ *Debates*, 21 August 2001, 665.

Stephens responded that “we were very clear about our new-era commitment to...provide targeted funding for those families who need it most and to expand child care spaces in the province.” The Minister accurately portrayed her *New Era* commitments but was less than convincing. According to Stephens, the “previous administration’s child care program was not sustainable...we have made the commitment that we will, within our limited financial resources, do the best we can with the most money that we have available.”⁴⁹ In short, the reduction in child care funding drove the reduced income threshold, not broader principle.

In early 2002, the income threshold for child care subsidy was reduced: recipients who previously qualified for subsidy at \$1,500 per month could now only earn a maximum of \$1,215. Stephens reported that as a result of the threshold shift, up to 9,000 children (of a total base of 39,000 to 42,000) lost subsidy. This shift reduced the number of families qualifying for subsidy and forced some families to abandon child care spaces. The Child, Youth and Family Advocate Paul Pallan was deeply concerned by the threshold shift. Even before pending reductions, he said, fewer than ten percent of children under twelve had access to a licensed child care space and “the cost of care puts quality child care out of reach for many families.” The threshold shift at MCAWS, along with policy changes at MHR that pushed single parents with young children back into the workforce, raised the Advocate’s concerns that “cross-ministerial impacts have the potential to undermine MCFD’s [Ministry of Children and Family Development’s] intentions to strengthen community capacity.”⁵⁰

The Advocate was among the first to raise the question of cumulative impacts across social ministries. He reiterated an important point from MCFD Minister Gordon Hogg: “65

⁴⁹ Ibid., 21 August 2001, 666.

⁵⁰ Office of the Child, Youth and Family Advocate, *Rethink the Reductions: Children and youth need more*, 2001 Annual Report, 32.

percent of the children coming into care of the state have been coming in...from single parents who were on income assistance. In many instances, they need a bit of support rather than to be taken into the care of the state.”⁵¹ Where, in an era of retrenchment, would a “bit of support” come from? The loss of child-care supports to 9,000 families took them in exactly the opposite direction. The Advocate concluded that cascading cuts across social ministries would further exacerbate the risk of children being taken into care.⁵²

Multiple cuts hit many not-for-profit service providers hard. MLA Richard Lee (Burnaby North) raised the case of the Burnaby Association for Community Inclusion which saw its year-over-year funding reduced from \$575,585 to \$154,788 by a combination of cuts, among them termination of “Munroe payments”⁵³ and the “out-of-school-care” funding program. Stephens acknowledged that 880 child-care providers were receiving less operational funding as a consequence of budgetary reductions, including 150 “child-minding centres” that had lost all government funding.⁵⁴ The problem, in the Minister of State’s view, lay with employers who had negotiated unsustainable wage agreements: “We have no relationship with the employees. The employers are those who are responsible for reaching those kinds of agreements.”⁵⁵ Cuts were unfortunate, she argued, but blame lay beyond the walls of government.

Stephens was pleased to report at least modest relief in 2003: “We were very clear, as was the Premier, that when we looked at the strategic shifts that we had made in the budgeting process, we would evaluate those decisions, and where we found that we needed to make some

⁵¹ *Debates*, 6 May 2003, 6526, and Office of Child, Youth and Family Advocate, *Rethink the Reductions: Children and youth need more*, 2001 Annual Report, 29.

⁵² Advocate, 29-32.

⁵³ Munroe payments referred to an arbitrated salary agreement for unionized child-care workers reached under Don Munroe in the latter years of the NDP government.

⁵⁴ *Debates*, 1 April 2003, 5875.

⁵⁵ *Ibid.*, 1 April 2003, 5846.

changes, we would do that.”⁵⁶ Stephens noted in 2003 that the threshold had been increased by \$100 returning the subsidy to 3,000 children (of the up to 9,000) who had lost it the previous year: “Frankly, we look forward to the day when we can restore it to the full amount and perhaps increase it beyond that.”⁵⁷ Stephens implicitly confirmed that, in child care at least, funding cuts were a product of the self-imposed austerity (or rationing of a vital service) that flowed from the magnitude of 2001 tax cuts rather than a “strategic shift” toward ostensible sustainability.

MCAWS was designed with the goals of smaller government and of “steering not rowing” in mind. In child care, smaller government (at least in the short term) simply meant fewer dollars to fewer clients. In municipal affairs, local government would be empowered by the *Community Charter*, thereby diminishing the need for ministerial oversight. Similarly, the province would shed responsibility for delivery of safety services through creation of the BC Safety Authority (BCSA). Heritage management would be delivered via external contracted agencies and a newly created BC Trust for Public Lands. As discussed above, devolution worked well in some cases (like BCSA) but was sullied in others by political expediency (like the *Community Charter/SPSA* controversy).

Child care funding was just one example of the disjunction between what was appropriate, desirable, or needed within service provision and what was possible or workable within the bounds of budget target constraints. Such disjunction proved a persistent theme across social ministries. Severe budget constraints demanded rationing of “vital” programs as well as the loss of programs deemed “not vital.” The New Era experience of the Ministry of Human Resources reconfirmed this challenge.

⁵⁶ Ibid., 1 April 2003, 5872.

⁵⁷ Ibid., 1 April 2003, 5852.

CHAPTER 7

THE MINISTRY OF HUMAN RESOURCES: BUDGET CUTS CREATE SPEED-RELATED SIDE EFFECTS

“Oh nice work if you can get it. And you can get it, if you try.” – George Gershwin¹

Public servants at the Ministry of Human Resources (MHR) combing the *New Era* document for clues regarding post-election priorities would find nothing that pointed directly toward welfare reform.² The subject, in fact, draws not a single mention. In contrast, the BC Liberal’s 1996 platform, *The Courage to Change*, devoted a full page to the subject. The 1996 campaign proved unsuccessful and, as detailed in Chapter 2, welfare reform was one of several topics deemed too controversial for inclusion in the 2001 platform. Unstated certainly did not mean forgotten, particularly in the budget target review: MHR emerged with a staggering cut of \$581 million -- from \$1.937 billion in 2001/02 to \$1.356 billion in 2004/05 -- a 30 percent budget reduction over the period.³

MHR’s jaw-dropping budget reduction would be allayed, at least in theory, by “strategic shifts” that heavily reflected the tenets of New Public Management (NPM). MHR would be shifting from “a culture of dependence and entitlement into one of personal responsibility and self-sufficiency,” and from “income assistance into employment with long-term checks and balances there to keep them [former clients] in employment.”⁴ The Ministry aimed to “redefine

¹ George Gershwin, “Nice Work If You Can Get It”, from *A Damsel in Distress*, 1937.

² As previously noted, the word “reform” is again used as defined by Irene Rubin: “Reform means change in a direction advocated by some groups or individuals. It does not necessarily mean improvement.”

³ www.bcbudget.gov.bc.ca/2002/budgetandfiscalplan/bgt2002_tab, Table 1.6 Expenditure by Ministry. The Canadian Centre for Policy Alternatives reports in 2003 that the cut had subsequently grown to \$609 million. CCPA, Seth Klein and Andrea Long, “*A Bad Time to be Poor: An Analysis of British Columbia’s New Welfare Policies*” on-line, June 2003, 4. In *Debates* on 7 April 2003, 6046, Coell reported the 04/05 budget was now \$1,220,593, a cut over \$700 million

⁴ *Debates of the Legislative Assembly*, 26 March 2002, 2167.

the B.C. income assistance system” with “a new approach” backstopped by a new set of guiding principles:

- **Personal responsibility** for maximizing potential
- **Active participation** by clients
- **Innovative partnerships** between the ministry and the private sector and communities
- **Citizen confidence** in the income assistance system
- **Fairness and transparency**, with less red tape
- **Clear outcomes**, whereby the ministry measures success by the success of the people being served
- **Accountability for results** achieved [emphasis in original].⁵

Like the Ministry of Community, Aboriginal and Women’s Services (MCAWS), discussed in Chapter 6, MHR’s new guiding principles drew heavily from the NPM playbook of “performance-based” programs, reduced regulation, innovative partnerships with the private and not-for-profit sectors, enhanced accountability, and increased citizen confidence in the welfare system. The Ministry promised to “streamline service delivery through business transformation, including electronic service delivery” and “development of an Alternative Service Delivery model”.⁶

MHR had a massive budgetary goal to reach and only a short time in which to reach it. For the Ministry executive, reaching that goal required extraordinarily long days “scouring every expenditure line right down to the finest detail.” Fortuitously, the outgoing NDP government had been active in caseload reduction, “providing a very strong data base critical to understanding the client base.”⁷ Given its fiscal and temporal imperatives, the Ministry executive moved quickly to capture lessons from other jurisdictions on welfare reform and

⁵ BC, Ministry of Human Resources, *Annual Report – A New Era Update*, 2001/02, 6.

⁶ BC, Premier’s Office, “Core Review Actions To Be Implemented, By Ministry”, undated.

⁷ Respondent G, Interview with the author, 12 December 2018.

determine what it might incorporate into domestic programs. “A lesson is seen as a short cut,” Richard Rose suggests, “utilizing available experience elsewhere to devise a programme that is new to the agency adopting it and attractive because of evidence that it has been effective elsewhere.”⁸

The drive for exogenous learning was reflected in Human Resources Minister Murray Coell’s promise to build on “the successes that Alberta, Ontario and some of the American states have seen with income assistance redefinition or reform.”⁹ One former senior public servant recalls California welfare reforms as particularly useful, but the scale of BC’s cuts “meant applicable experience would be welcome from anywhere!”¹⁰ Decades of exogenous welfare reform experience, as well as that of British Columbia itself, were promptly put to use. Employable recipients were required to file an employment plan and participate, as required, in job placement and training programs. The Ministry promised to spend \$300 million on such programs over three years while reducing its overall budget by at least \$581 million by 2004.¹¹ The format of training for employment programs was well established under the NDP, but renewed and expanded under the BC Liberals.¹²

The Ministry’s strategy was largely successful, at least from a budget reduction perspective. Unfortunately, like other social ministries, MHR was driven to harsh and unsustainable objectives by unprecedented budget reductions necessitated, in turn, by tax cuts that failed to “pay for themselves” in a timely way. As demonstrated with MCAWS in Chapter 6, the Campbell government again “hoped to have everything at the same time” with MHR. The

⁸ Richard Rose, “What is Lesson-Drawing”, *Journal of Public Policy*, Vol.11, No. 1 (January-March,1991): 7.

⁹ *Debates*, 26 March 2002, 2167.

¹⁰ Respondent G, interview with the author, 12 December 2018.

¹¹ Judith Lavoie, *Victoria Times-Colonist* on-line, 17 April 2002.

¹² Respondent G, interview with the author, 12 December 2018.

effectiveness of key initiatives was consequently undermined by hasty implementation – spurred on by the balanced budget imperative.

MHR’s Mission in Context

Like the Ministry of Children and Family Development (MCFD), the Ministry of Human Resources served a very large clientele. The major difference between the two ministries lay in the nature of the clientele served. Many of MCFD’s adult clients had little or no prospect of entering the workforce and fully exiting from governmental supports; for many of MHR’s clients, in contrast, support was transitional rather than permanent.¹³ Both ministries cast their nets widely to capture exogenous experience that might guide their strategies for budget reduction; both linked their strategies, in turn, to anticipated caseload reduction. For reasons fully explored in Chapter 8, MCFD enjoyed less success around caseload reduction largely, but not entirely, due to the nature of their clientele.

Minister Coell noted in 2002 ministerial Estimates that MHR served about 251,000 people each month, or nearly six percent of the population.¹⁴ The magnitude of the MHR caseload was one of several “immediate concerns” identified in core review including:

- Almost 40 percent of all single parents in the province receive income assistance.
- People are cycling on and off the caseload. The majority of income assistance clients leave the caseload within six months; however, two-thirds of those who leave return within two years.
- People are dependent on income assistance over the long-term. More than 70 percent of income assistance clients older than age 35 have an income assistance history longer than 10 years.

¹³ One important exception to my characterization was “persons with persistent multiple barriers.” Such individuals were not strong candidates for return to employment and, to its credit, MHR attempted to identify and protect them as broader processes unfolded. Respondent G, interview with the author, 12 December 2018.

¹⁴ *Debates*, 26 March 2002, 2110.

- Persons with disabilities who want to and are able to work are not getting the supports they need to get and maintain employment.
- Current training programs do not always lead directly to jobs.¹⁵

In short, MHR faced a challenging mandate as well as a daunting budget plan.

As caseload reduction initiatives got underway, MHR served two major streams of clientele: people with chronic disabilities (about 45,000) and, secondly, people who were employable but unemployed for a sufficient period to qualify for benefits (largely accounting for the balance). Early initiatives focused on the latter stream of clients. MHR pursued caseload reduction strategies employed nationally and internationally including, from the Pollitt and Bouckaert menu, “lowering the rates of increase in benefits..., narrowing the categories of eligibility (so as to concentrate on the ‘most needy’), or increasing the charges and co-payments of the beneficiaries.”¹⁶ All such strategies and more were utilized by MHR as they confronted their budget imperative.

BC Liberals were far from pioneers in welfare reform, ongoing internationally since at least 1980. As Peters et al. note: “Workfare (under various guises of welfare-to-work or community participation programs) has been introduced in Denmark, Australia, New Zealand, and Ireland, but in greatest measure in the United States and Britain.”¹⁷ Katherine Teghtsoonian argues that even the NDP governments of Mike Harcourt and Glen Clark were affected by this trend as “the provincial government’s approach to social assistance policy began to reflect a less generous and more coercive tone well before 1996.” NDP governments highlighted “welfare

¹⁵ MHR, *Annual Report 2001/02*, 5.

¹⁶ The “menu” is an amalgam of international strategies. The menu is not one MHR explicitly drew from but it reflected the scope of their reforms. Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis* (Oxford: Oxford University Press, 2011), 37.

¹⁷ B. Guy Peters, Jon Pierre, and Desmond S. King, “The Politics of Path Dependency: Political Conflict in Historical Institutionalism”, *The Journal of Politics*, Vol. 67, No. 4, 5.

fraud and abuse” as an issue “needing urgent attention. New policies and procedures were adopted that the government argued were necessary to address this issue, many of which increased the level of surveillance and monitoring directed toward benefit recipients.”¹⁸

The Canadian Centre for Policy Alternatives (CCPA) certainly noticed the shift in NDP welfare policies in 1995/96, characterizing changes as “harmful, mean-spirited and unjustified.”¹⁹ Opposition NDP MLA Jenny Kwan implicitly acknowledged the NDP’s harder line on welfare in an exchange with Coell. Kwan vigorously denied that “a culture of welfare entitlement” existed in British Columbia and disparaged the notion that an American-style remedy was required. She noted that “B.C.’s welfare caseload declined 32.6 percent between December 1995 and August 2001, when there were 120,700 fewer people on B.C. Benefits. If ever there was a ‘culture of entitlement,’ it ended a long time ago.”²⁰ In fact, as noted above, Coell and MHR leadership made good use of job training research initiated in the latter years of the NDP government; given the challenges, MHR welcomed insights from every corner.

MHR was able to get out of the gate early on cost-saving initiatives. Employable welfare recipients received letters in October of 2001 advising them to look for work or risk loss of benefits.²¹ The Ministry’s core strategy of “dependence to employment” was pursued through expansion of employment training programs in combination with the stated threat – imported from America – of time limits on support.

¹⁸ Katherine Teghtsoonian, “Social Policy”, 315.

¹⁹ Klein and Long, *A Bad Time*, 5.

²⁰ *Debates*, 2 April 2002, 2384.

²¹ Judith Lavoie, *Victoria Times-Colonist* on-line, 28 December 2001.

Policy Transfer and Lesson Learning Inform Caseload Reduction

Murray Coell, like MCFD Minister Gordon Hogg, was a popular target for the small but tenacious NDP Opposition. Fortunately, both Coell and Hogg brought professional knowledge and experience in social work to their new roles. Both were well aware of international trends in welfare reform and neither was reluctant to recognize the role of exogenous learning in the development of BC's programs.

As MHR attempted to redefine "a culture of dependence and entitlement into one of self-sufficiency," it drew lessons from several jurisdictions. For example, Manitoba and Ontario used liens on homes where welfare recipients had an equity stake. The Ministry moved quickly to emulate the program, although in British Columbia liens would "not be put on until the seventh month of being on income assistance."²² Similarly, when Opposition leader Joy MacPhail accused Coell of following Ontario's "workfare" program, he readily acknowledged that program as one of the influences on BC initiatives

Much of the Opposition's attack focused on the purported "Americanization" of BC's welfare programs. American influence was most frequently associated with a controversial provision limiting employable individuals and couples from collecting welfare for more than two years out of five. The "two-in-five" rule was the object of much Opposition and media criticism, particularly its application to parents or families with children as young as three years old.

Asked by NDP MLA Jenny Kwan about research the ministry had undertaken before concluding that time limits should be a part of the new BC Benefits model, Coell responded: "The ministry has thoroughly examined the cross-jurisdictional analysis that's available in the

²² *Debates*, 7 April 2003, 6048.

United States and has monitored U.S. research.” Asked if that was the sole information which guided decision-making, Coell suggested that it was “one of the considerations. We looked at a B.C. approach, where it would be two years out of five years rather than the American approach, which is a five-year lifetime maximum. So, if a person [in BC] lived 50 years as an adult, they could be on income assistance for 20 years....”²³ Recipients on continuous assistance (typically with persistent physical or mental disabilities) might be exempted from the two-in-five rule, but the new rules would “leave no doubt” that “most people getting temporary assistance will be required to look for work.”²⁴

Kwan noted that single-parent or two-parent families would, after two years of income assistance, see support reduced first by eleven percent and then escalating up. “What”, she asked, “have been the outcomes of time restrictions on income assistance [elsewhere]?” Coell responded that “[m]any of the states are just coming off their five-year limit at this point. It was introduced by the Clinton administration, so there are a number of states getting close to that five-year limit.” MHR was monitoring the American experience but “early indications...show that the time limits are a motivating factor. That’s the essence of what we are trying to produce: a program that helps to motivate individuals into employment programs.”²⁵

The “two-in-five” rule was new to British Columbia and MHR leadership privately voiced concern with some aspects of it, notably the potential impact on single parents with children as young as three (one of the issues raised by MHR in the social policy review detailed in Chapter 5). They were not alone in that concern. Child, Youth and Family Advocate Paul Pallan, for example, flagged the issue in his final report as an independent officer of the

²³ *Debates*, 2 April 2002, 2385.

²⁴ *Debates*, 26 March 2002, 2110-11.

²⁵ *Debates*, 2 April 2002, 2384.

legislature.²⁶ The rule prompted extensive debate around the numbers that might be kicked off welfare when timelines came into play. Some critics, according to Vaughn Palmer, feared that as many as 30,000 recipients could be affected. Ultimately, 37 clients lost benefits in April 2003, along with another 172 over the following 12 months.

The key difference between apprehension and reality, as Palmer points out, is that originally there were six exemptions but that had expanded across time to 25 including what he describes as an “all-purpose escape clause” for people (in MHR’s words) “who have an employment plan, are complying with their plan, are actively looking for work, but have not been successful in finding employment.”²⁷ The two-in-five rule may have served the immediate purpose of encouraging some welfare recipients to pursue employment, but as caseloads declined and budgetary savings were secured MHR added more and more exemptions to the rule.

Arguably the “sink or swim” character of the rule, in the absence of exemptions, was inconsistent with prevailing norms and values in British Columbia. Alternatively, the tattered “two-in-five” rule may fit the Dolowitz and Marsh definition of a “flawed transfer”: the ministry “searches hurriedly for a solution to an urgent problem...because the need for a ‘solution’ is imperative, but less likely the transfer will be successful, because limited time will inevitably lead to a limited search for models, and thus probably to flawed transfer.”²⁸ In either case, what appeared dramatic or radical in 2001 was rendered largely irrelevant via exemptions by 2004.

The common presence of time limits (albeit of different severity) suggested at least a superficial resemblance between British Columbian and American welfare reforms. In fact, the

²⁶ The Advocate’s office was terminated in the core review process along with Pallan himself after his last report. Some observers believed Pallan was an example of risks inherent in criticism during the New Era. As one former official noted: “Speaking truth to power is the express lane to severance.”

²⁷ Vaughn Palmer, *Vancouver Sun* on-line, 7 February 2004.

²⁸ Dolowitz and Marsh, 8.

BC Benefits program with its pronounced emphasis on education and employment training also bore resemblance to the Danish model where “participation, although compulsory, is closely linked with increasing educational skills for future reintegration into the labour market.”²⁹

BC’s pursuit of exogenous experience on welfare reform was unexceptional. Peters et al. compare the Bill Clinton and Tony Blair administrations’ shift to workfare in the 1990s. Building on the experience of Denmark, New Zealand, Australia, and others, “in 1996 President Bill Clinton signed a welfare reform act mandating ‘workfare’ for welfare recipients and imposing a lifetime limit of five years for the receipt of benefits.” The Blair Labour government elected in May 1997 “immediately enacted a massive New Deal workfare scheme for the 18-25-year age group...[since] extended to cover older workers and now lone parents and the disabled.”³⁰ Welfare reform ideas were widely disseminated in advance of the New Era.

MHR’s drive for caseload reduction predictably had its share of critics. The CCPA, for example, argued (in an article by Bruce Wallace et al.) that caseload reductions were driven by the “3Ds” of discouragement, delay, and denial. The three week job search prior to an in-take interview forced potential recipients to find alternatives, as did the two-year “independence test” for young people potentially fleeing an abusive home. The CCPA was also critical of MHR’s new electronic “alternative service delivery” systems, including a 1-800 line and “compulsory use of an on-line computer orientation.” Both had the impact, in their view, of depersonalizing contact and discouraging potential recipients from initiating further enquiries.³¹

²⁹ Peters et al., “The Politics of Path Dependency”, 5.

³⁰ Peters *et.al.*, 6.

³¹ Bruce Wallace, Seth Klein, Marge Reitsma-Street, BC office of Canadian Centre for Policy Alternatives, *Denied Assistance: Closing the Front Door on Welfare in BC* on-line, 27 March 2006, 7.

Not surprisingly, the CCPA's ideological nemesis the Fraser Institute offered a very different take on the "3Ds", which the latter characterizes as "diversion": a "key component in welfare reform since experience has shown that once someone enters the system, they are far more likely to use the system again." The strategies which the CCPA disparaged earned British Columbia a "B+" for diversion from the Institute. To raise that grade to an "A", Schafer and Clemens suggested adoption of Wisconsin's Job Access Loan program, "which would offer a cash payment to social assistance applicants who have an employment need" pushing them into the welfare stream. They also praised the BC government for being the first Canadian jurisdiction to embrace time limits and other "successful US welfare reforms," thereby earning an "A" for "ending the entitlement to welfare."³²

The CCPA (in an article by Seth Klein and Andrea Long) also suggests that New Era welfare reforms were flawed by what Dolowitz and Marsh term an "incomplete" policy transfer: when the recipient jurisdiction fails to capture all the elements that made a given policy successful in the original jurisdiction. British Columbia, Klein and Long argue, had "chosen to import only policy 'sticks' not policy 'carrots'." Policy elements such as enhanced child care, transportation support, increased minimum wage, and expanded earnings exemptions were, they suggest, integral to the success of American welfare initiatives.³³

The CCPA and the Fraser Institute enjoyed some surprising agreement on this point. The Institute argued that other Canadian provinces "promote the incentive to work in welfare recipients in part by disregarding some of their earned income through an earnings exemption,"

³² Chris Schafer and Jason Clemens, *Welfare Reform in British Columbia: A Report Card*, an on-line Fraser Institute publication, September 2002, 3-4.

³³ Seth Klein and Andrea Long, *A Bad Time to be Poor: An Analysis of British Columbia's New Welfare Policies*, an on-line publication of the Canadian Centre for Policy Alternatives, 5.

rather than, as in BC's case, eliminating virtually all earnings exemptions.³⁴ The Institute's grade for "making work pay" was an emphatic "F". The Campbell government imperative, of course, was not "making work pay" but rather making welfare reform produce huge near-term savings.

To that point, Klein and Long offer this vital and insightful observation: "In the US, welfare restructuring was not driven by a fiscal imperative to cut spending. In fact, notwithstanding its tough new rules, the US *increased* its spending on programs for low-income people during the post-1996 welfare reform period [emphasis in original]."³⁵ BC's welfare reforms, in contrast, were driven by demands for at least \$581 million in savings to be delivered within three years to meet balanced budget demands for 2004/05. Savings lost through employment earnings exemptions or Wisconsin-like cash payments for welfare diversion were inimical to that goal.

MHR's "tough love" combination of threats (like time limits) and inducements (like employment training) enjoyed considerable success in caseload reduction across time, particularly given very weak economic growth in 2001/02. On 13 February 2003, Coell advised the legislature of his ministry's results to date: a drop in the income assistance caseload of 22 percent, or 66,000 clients, since June 2001. He attributed these reductions to enhanced employability through ministry-sponsored employment programs, to time limits on receipt of income assistance, and to the "two-year financial independence test" for young people. By November 2003, Coell reported, the number of welfare recipients had dropped by over 82,000,

³⁴ The exception was an exemption provided for disability recipients. Schafer and Clemens, *Welfare Reform*, 4.

³⁵ Klein and Long, *A Bad Time*, 5.

from 252,162 in June 2001 to 169,776. He also noted the closing or merging of 26 MHR offices along with the lay-off of 859 staff.³⁶

The Campbell government obviously believed welfare reform resonated with its political base as well as with “the silent majority” of British Columbians. The 2002 Throne Speech profiled welfare reform including MHR’s “strategic shift from a culture of welfare entitlement to a culture of employment and self-sufficiency...In particular, the changes will insist on greater individual responsibility for those able to actively seek employment.”³⁷ Unfortunately the magnitude of budget cuts required from MHR demanded programmatic shifts well beyond pressing employment upon able-bodied welfare recipients nursing a sense of entitlement. A massive \$581 million budget cut pushed MHR squarely into the realm of “bigger, faster, and deeper” and greater risk of political peril.

“Bigger, Faster, and Deeper” Blurs the Line between Motivational and Mean-Spirited

The imperative to meet expenditure reduction targets often blurred the line between motivational and mean-spirited policy, producing programmatic changes that undermined the moral authority of broader goals such as strengthening the culture of employment and self-sufficiency. As discussed in Chapter 6, demands for budget reduction, smaller government, and “bigger, faster, and deeper” cuts drove MCAWS to eliminate support for multicultural programs, women’s centres, and audio-book production. Those same demands (often with similarly insignificant savings) drove some of the more controversial changes to MHR’s assistance programs:

³⁶ Judith Lavoie, *Victoria Times-Colonist* on-line, 14 November 2003. Klein and Long, *A Bad Time*, 4, report 36 offices closed.

³⁷ *Debates*, 12 February 2002, 1049.

elimination of the bus pass subsidy to recipients of the federal government's Old Age Security and Guaranteed Income Support (OAS/GIS); phasing out of the Seniors Supplement to OAS/GIS recipients; elimination of Hardship Assistance grants for individuals leaving a job voluntarily, as well as for refugee claimants; and (in a move guaranteed to create Scrooge metaphors) elimination of the Christmas Allowance for all but dependent children.

MHR was obliged to operate within a model that demanded severe reductions and brought every expenditure into question. Social services ministries are always among the most difficult in government, but particularly so for Coell as a former social worker. He could take some satisfaction from enhanced employment programs, but frequently carried the can for budget-driven punitive measures. In turn, those measures produced a steady stream of news stories detailing impact on recipients.

Judith Lavoie of the *Victoria Times Colonist* offered a potent commentary on the state of the province one year into the New Era: "In April, single parents, employable couples and recipients aged 55 to 64 had their payments cut \$50 to \$100 a month, people can no longer keep up to \$100 in child support or earnings and crisis grants are now capped at \$20 a month."³⁸ Two billion dollars in ill-timed and overly aggressive tax cuts (or perhaps "well-timed" and "suitably aggressive" tax cuts if self-induced crisis was the goal) had placed British Columbia in the position of meeting its fiscal goals through – among many other measures -- claw-backs of child support payments to welfare recipients.

The 2002 Throne Speech buttressed its claim to "put children and families first" with a promise of legislation to streamline the process for obtaining and enforcing family maintenance

³⁸ Judith Lavoie in the *Trail Times* on-line, 30 May 2002.

orders. All well and good, said Joy MacPhail, but utterly hollow, given the family maintenance exemption of \$100 was being eliminated along with the income assistance earning exemption of \$200. Further, “shelter allowances for families with two children or more will be reduced... This is how they are going to help you, the most vulnerable.”³⁹

Some measures strained caucus unity. In April 2002 Coell introduced a bill that required a period of continuing employment or employment insurance eligibility prior to applying for income assistance. Coell argued that it would provide additional incentive to undertake job training or return to school, but the measure met resistance within and beyond the Legislature; notably, BC Liberal MLAs Val Anderson (Vancouver-Langara) and Tom Christensen (Okanagan-Vernon) joined MacPhail and Kwan in opposing the provision.⁴⁰

MHR cost-cutting measures sometimes carried implications for other ministries as well as their clients. Lavoie reported in July 2002 that welfare recipients, excluding children and the disabled, would no longer be covered for preventative dental care. Further, the Ministry would no longer fund general anesthetic dental surgery for children and the disabled except in hospitals, where waitlists were often in excess of seven months. Advocates feared the approximately 2,000 ministry dental cases per year would only further strain hospital waiting times.⁴¹

The combination of cuts across social ministries was particularly onerous to women in single-parent families. “Poverty advocates told of numerous women caught in a desperate catch-22 as the result of the changes,” Barbara McLintock writes, “Their human resources ministry workers told them they must get a job – but the changes to the daycare rules meant that they

³⁹ *Debates*, 14 February 2002, 1105-06

⁴⁰ *Ibid.*, 28 May 2002, 3662-63.

⁴¹ Judith Lavoie, *Victoria Times-Colonist* on-line, 8 July 2002. Some of those cutbacks were reversed within months after blowback from the Opposition, government caucus and the media.

would actually end up with less money from working than they received from welfare by the time they'd paid for daycare.”⁴² Stricter eligibility requirements obliged single parents on welfare to seek work when their youngest child turned three instead of seven, prompting the ministry itself to question privately the potential impacts on a child in such a situation. MHR raised the issue in the 2002 “social policy review” (discussed in Chapter 5), but secured only modest relief. Clients with children three or older would still be eligible for income assistance, notwithstanding the “two-in-five” rule, but they would receive a reduction in rate of \$100 a month.⁴³

MHR raised the issue again at the 2003 summer cabinet planning session. The Ministry highlighted the \$100 rate reduction for single parents and the \$200 reduction for two-parent families on assistance upon reaching “two-in-five” time limits for eligibility on 1 April 2004. They recommended that relief from reductions be added to exemptions in both cases. The only barrier to such relief was, as usual, finding the dollars elsewhere in their own straitened budget.

Demands for \$581 Million in Cuts Prompts a Hasty Disability Review

The drive to find savings, and find them quickly, prompted MHR to undertake a process commonly termed the “disability review.” In April of 2002, Minister Coell introduced legislation entitled the *Employment and Assistance for Persons with Disabilities Act* that, among other features, eliminated the lower level of disability benefit and toughened criteria for permanent disability benefits. The *Act* took effect on 30 September 2002. In the interim,

⁴² Barbara McIntock, “Female Trouble”, in David Beers, ed., *Liberalized: The Tyee Report on British Columbia Under Gordon Campbell's Leadership* (Vancouver: New Star Books, 2005): 26.

⁴³ *Debates*, 7 April 2003, 6047.

ministry staff carried out an internal review of all client files to ensure continuing eligibility. The files of 18,705 disability recipients were determined to be deficient in provision of necessary information. Shortly thereafter, in October 2002, the Ministry sent out a 23-page form regarding eligibility for benefits to those 18,705 clients.

Coell spent much of his time in the Legislature defending his Ministry's disability review. For the Opposition, this review epitomized the heartless, bottom-line approach of the BC Liberal government and they were relentless in questioning Coell. The ensuing controversy predictably attracted significant media attention and, after reported suicide attempts by recipients suffering from mental illness, approximately 5,000 clients in that category were automatically qualified for benefits.⁴⁴

The issue also captured the attention of BC's Auditor General Wayne Strelieff who reported out on 24 February 2003. His report left no doubt that the overriding impetus for the review was cost-savings: "We believe that a key assumption of the ministry in arriving at this decision was that a large number of recipients would fail to qualify, therefore losing their disability status, and the result would be significant cost-savings to government and taxpayers." The ministry estimated that as many as ten percent (6,200 or more) of recipients might prove ineligible but ultimately only 46 had their cases closed.⁴⁵

The Auditor General recognized that the review was required under the new *Act*, but concluded that the ministry "moved too quickly" in its haste to find savings and "the major cost savings the ministry expected the review to gain were not achieved. At the same time, the

⁴⁴ Judith Lavoie, *Victoria Times-Colonist* on-line, 22 November 2002.

⁴⁵ Auditor General of British Columbia, *2003/2004 Report 6: The Government's Review of Eligibility for Disability Assistance* (Victoria: February 2004), 6. The Opposition came into possession of an MHR communications plan that anticipated up to 9,000 were inappropriately receiving disability benefits. Judith Lavoie, *Victoria Times-Colonist* on-line, 14 March 2003.

review created increased anxiety for many of the ministry's disabled clients."⁴⁶ Strelloff recommended that in future "an appropriate evaluation of risks is carried out before decisions are made about how and when the work should be done."⁴⁷ Such a recommendation, while undoubtedly sound, was entirely inconsistent with the imperative to find immediate savings to meet looming budget targets. The emphatic instruction was "find savings now," not "find savings but do it in a careful and politically sensitive manner." A \$581 million dollar budget reduction over three years was incompatible with subtle or nuanced delivery of change.⁴⁸

By February 2003, the very substantial progress made in reducing the caseload for the employable unemployed allowed a kinder, gentler approach to the disability stream. Notably, Coell framed some budget pressures in a positive manner. For example, MHR was adding eighty million dollars to its budget for people with disabilities in response to a seven percent growth in that caseload. He offered some signals that government's uniformly parsimonious approach to income assistance was beginning to shift, at least modestly. Earning exemptions for persons with disabilities doubled and the definition of disability was extended to include mental illness, bringing "our legislation more in line with other Canadian provinces..."⁴⁹

Government generosity grew as the May 2005 provincial election neared. Persons with disabilities received a \$70 monthly increase on 1 January 2005. The Minister noted that a more modest increase was planned, but "because of the excellent strength in the economy and sound fiscal management, we were able to provide a much larger increase and provide it much

⁴⁶ Auditor General of British Columbia, *News Release*, 24 February 2004.

⁴⁷ Auditor General, 7.

⁴⁸ \$581 million formed such a large portion of the three-year balanced budget plan that, despite routinely meeting its targets, bi-weekly progress reports to Treasury Board became obligatory in 2002. Respondent G, interview with the author, 12 December 2018.

⁴⁹ *Debates*, 13 February 2003, 4752.

sooner.”⁵⁰ In short, persons with disabilities (like mothers falling short of child-care thresholds) were obliged to do with less while waiting for tax cuts to pay for themselves.

The CCPA in an aptly-named publication *A Bad Time to Be Poor* described BC Liberal welfare policies as “radical and unprecedented in Canada.”⁵¹ What was radical and unprecedented was less the policies than the magnitude of demands for budget cuts. Many of the policies in fact had precedents in multiple corners of the world that British Columbia adopted as policy transfers. MHR was obliged to deliver savings of at least \$581 million within three years, a monumental task that obliged Ministry leaders to look long and hard at every expenditure. The Ministry’s combination of threats and inducements proved successful in meeting the daunting budgetary goal, but not without some blurring of the line between motivational and mean-spirited. MHR bore criticism for a hasty disability review when fault more appropriately resided with ill-timed tax cuts that failed to pay for themselves.

MHR and other social ministries cast their nets widely in the search for policy lessons and learnings that might inform solutions to intractable problems. Like Murray Coell, MCFD Minister Gordon Hogg made frequent reference to national and international experience; sadly, no amount of exogenous experience could compensate for an unworkable budget and unrealistic expectations borne of “prescription before diagnosis.” As the next chapter shows, those harsh realities came crashing home all too quickly at MCFD.

⁵⁰ Ibid., 2 March 2005, 12249. The Minister in this case was Susan Brice, one of Coell’s successors.

⁵¹ Cited in David Beers, ed., *Liberalized*, 28.

CHAPTER 8

MCFD: WHERE METAPHORICAL CHICKENS COME HOME TO ROOST

“Sorry Seems to Be the Hardest Word” -- Bernie Taupin / Elton John¹

The *New Era* document – while silent on welfare reform – offered a progressive and expansive vision for children and family development. The NDP government of the 1990s had been subject to intense public and media criticism in that area of public policy and BC Liberals were among the loudest voices demanding better.² The *New Era* document reflected such demands in highlighting “the human toll of the NDP’s waste and mismanagement.” Children, in particular, were deemed to “have suffered because front-line workers haven’t had adequate resources to do their jobs.” BC’s taxpayers deserved more and better: “Don’t let anyone tell you that we can’t improve crucial government services.” The time was now “to build a future in every community that is ripe with opportunity for our children and families.”³

Nothing in the *New Era* document suggested that dramatic budget cuts might be pending in the Ministry of Children and Family Development (MCFD). Far from cuts, BC Liberals promised to “devote the resources to the job needed to put the interests of kids first,” including costly and complex commitments such as “increase emphasis on early childhood intervention programs”, “focus on early identification of at-risk children”, “enhance preventative drug and alcohol efforts”, and “enhance training, resources and authority for front-line social workers.”⁴

¹ Bernie Taupin / Elton John, “Sorry Seems to Be the Hardest Word”, from *Blue Moves*, 1976.

² For a flavour of the intense and frequent media and Opposition attention to child neglect and abuse tragedies see Leslie Foster and Brian Wharf, eds., *People, Politics, and Child Welfare in British Columbia* (Vancouver: UBC Press, 2008) or for a more sensational account see William Rayner, *Scandal!! 130 Years of Damnable Deeds in Canada’s Lotus Land* (Heritage House: Vancouver, 2001): 105-111.

³ *New Era*, 2, 26, 28.

⁴ *New Era*, 26.

These commitments were salutary, but added to the chronic challenges of a very large social ministry burdened by New Era processes. As Minister Gordon Hogg noted, MCFD was challenging both in volume of clients served – “some 400,000 people each year; that’s one in ten citizens in this province” – and in case complexity. For example, clients included BC’s 10,000 children in care, “many of whom are medically fragile and have special needs.”⁵

Ambitious *New Era* commitments were starkly at odds with budget cuts. MCFD initially faced a cut of 30 percent but subsequently reduced, in face of resistance, to 23 percent.⁶ Les Foster, an Assistant Deputy Minister and later author of a first-hand account of New Era social policy, describes Hogg’s “numerous trips to Treasury Board and individual meetings with the chair of Treasury Board [the Finance Minister]” and his “intense eleventh-hour lobbying for a smaller reduction,” a point further reconfirmed in Hogg’s 2015 doctoral dissertation.⁷ According to Foster, Hogg also hoped that “given the reductions were heavily loaded toward the end of the three-year period...the economy would improve, government revenues would increase, and the full reductions would not be necessary.”⁸

The severity of the cut to MCFD was surprising from at least few perspectives. Some officials believed that the Ministry was “underfunded in the NDP years” and that BC Liberals had forcefully recognized such underfunding in the *New Era* platform and elsewhere. Dramatic

⁵ *Debate of the Legislative Assembly*, 9 August 2001, 378.

⁶ Early budget cut projections were issued in November then refined across time until formalized in Budget 2002. Hogg identified percentage cuts among divisions in *Debates*, 9 April 2002, 2661-2.

⁷ Foster, in “Back to the Future,” *People, Politics, and Child Welfare in British Columbia*, Leslie Foster and Brian Wharf, eds., 188. Hogg’s doctoral dissertation, *Creating Public Policy in a Complex Society: The Context, the Processes, the Decisions* (PhD dissertation, Simon Fraser University, 2015), 88, notes that Finance “required three budget reduction scenarios (at 20%, 35%, and 50%) ...After lengthy meetings with Treasury Board and over my objections, they selected a 23% budget reduction target.”

⁸ Foster, “Back to the Future,” *People, Politics*, 190. Treasury Board’s perspective was unsurprisingly different as noted below.

budget cuts were unexpected.⁹ Further, reducing caseloads or rationing services is never easy in any context, but it is arguably much more difficult in relation to the developmentally disabled than to the employable unemployed. Neither threats nor inducements can eliminate a disability, nor does the family dysfunction at the root of child apprehensions magically disappear without human intervention, typically by social workers (who formed part of MCFD's 22 percent staff reduction¹⁰). Children were a growing portion of BC's demographic composition and that would, officials believed, inevitably fuel caseload pressures. Further, at the other end of the client continuum, developmentally disabled children were outliving their parents and belatedly coming into care of the state.¹¹

Controversies surrounding child abuse, neglect, and deaths were recurrent not only in British Columbia, but in other provinces and American states.¹² As Foster notes, “when something goes wrong, as it must – it is impossible to protect all of the children all of the time – there is a media furor and public outcry from whomever is the opposition political party at the time, focusing on problems with the system and demands for something new to be done or for someone's head to roll.”¹³ The BC Liberals led the furor and outcry in the aftermath of Matthew Vaudreuil's tragic death in 1992 and the subsequent Thomas Gove inquiry. Political memory was short. When the generous vision for children and families embraced by the *New Era* document proved incompatible with the twin imperatives of tax cuts in 2001 and a balanced budget by 2004, the vision succumbed to those political imperatives.

⁹ Respondent F, interview with the author, 10 January 2019.

¹⁰ The 22 percent cut includes the overall staffing across MCFD. Additional cuts came in 2004/05 as noted below. Ted Hughes noted a 55 percent cut at the executive level in his report discussed on pages 19-21 of this chapter.

¹¹ An insight provided by respondent H, interview with the author, 27 January 2019.

¹² Respondent F, interview with the author, 10 January 2019.

¹³ Foster, xiii.

In August of 2001, just weeks into the job, Hogg was confronted by an unanticipated growth in demand for services. The “sombre reality,” he noted, “is that after only three months of this fiscal year, the ministry is already facing an estimated \$55 million in unfunded cost pressures” due to an unexpected surge in caseloads for children in care and adults with developmental disabilities.¹⁴ Unfunded cost pressures proved a recurrent challenge across the New Era and demonstrated one point conclusively: demand for services may rise or fall for any number of economic, demographic, or social reasons, but concern for a Finance minister’s balanced budget will not be among them.

The early budget challenges were not anomalous but rather underlined both the volatility of service demand and the precarious character of cuts in a ministry where every service was vital to its recipients. Among the first cost-containment initiatives in the fall of 2001 was “putting a lid on discretionary spending” for programs like monthly bus passes enabling visits to counsellors or tutoring for special-needs foster children. In the predictable media storm that followed, Hogg framed his dilemma well: “Anything that’s a health and safety issue we must maintain, but...in order to meet the deficit we have to make some decisions. Out of all the essential services we provide, some of them we cannot continue to provide.”

Hogg had no basket of non-essential or wasteful programs to expunge; he suggested that caseload reduction was the core element in his plan for budget reductions: “About 32 percent of children come into care as a result of neglect, as opposed to abuse, and we should be looking at ways to provide support for those children and their families rather than apprehending them.”¹⁵ Reporter Judith Lavoie put that proposition to BC’s Child, Youth and Family Advocate Paul

¹⁴ *Debates*, 9 August 2001, 378.

¹⁵ Judith Lavoie, *Victoria Times-Colonist* on-line, 23 October 2001.

Pallan who responded: “Let’s move to have fewer kids in care, but let’s make sure there are adequate supports to make sure that families function well.”¹⁶ Caseload reductions, in his estimation, were contingent upon stable or enhanced provision of social supports.

Pallan’s 2001 Annual Report (released after the 2002 provincial budget) is devoted almost entirely to his concerns regarding the 23 percent, \$360 million, cut to MCFD’s operating budget. Among the cuts highlighted by the Advocate were \$185.7 million from child protection and family development, \$34.5 million from youth justice, youth services, and child and youth mental health, and \$15.6 million from early childhood development and special needs services for children and youth. Existing resources, he argued, were failing to meet essential service needs of children and youth; addressing their need for alcohol, drug, and mental health treatment “will take additional resources, not fewer.” He urged the government to exempt MCFD from budget reductions.

Pallan supported the Ministry’s goal of reducing the number of children in care: “Ideally, a reduced child and youth in care caseload would be the outcome of enhanced family development services and supports. However, accomplishing this goal will take additional resources, not fewer...Planned reductions in MCFD’s primary service areas that support children, youth and families will decrease their capacity even further.” In short, the goal was sound but entirely incompatible with the budget imperative placed upon MCFD, a challenge further exacerbated by budget-driven changes in other social ministries. An inspired attempt to resolve a complex problem was doomed to failure by woefully inadequate resourcing.

¹⁶ Cited in Judith Lavoie, *Victoria Times-Colonist* on-line, 29 November 2001.

Almost two-thirds of children taken into care, Pallan noted, were from single parents on income assistance, “a pattern that has remained unchanged for the last decade.” MHR assistance for vulnerable families was being reduced through lower assistance rates to single parents and the obligation to seek employment when the youngest child turned three. Even when employment was available, reductions in the child-care subsidy placed some single parents into a perilous circumstance. The Advocate’s conclusion was blunt and prescient: “The program reductions now proposed by MHR put the most vulnerable children, youth and families at even greater risk and stand in direct contradiction with MCFD’s intention to increase capacity of families to care for their children.”¹⁷

Pallan pointedly noted that while in Opposition, “the Premier [Campbell] supported the recommendation in our 2000 Annual Report for a needs-based budgeting approach. However, we see no evidence that the pending cuts to MCFD’s budget are based on an assessment of the actual needs of children, youth and families.”¹⁸ Reconciling past political rhetoric with current governmental action proved a daunting challenge in the BC Liberal New Era.

Ambitious System Reforms Undermined by Severe Budget Cuts

MCFD enjoyed a very experienced and passionate advocate in Gordon Hogg, who brought experience as a public servant in youth corrections and as a foster parent. He was philosophically “a strong supporter of increased community participation in human service delivery,” influenced by “his own experiences and by his graduate studies, in which he looked at system-wide

¹⁷ Office of the Child, Youth and Family Advocate, *Rethink the Reductions: Children and youth need more*, 2001 Annual Report, 28-29.

¹⁸ *Ibid.*, 25-26. The Advocate was an independent officer of the legislature eliminated along with the Children’s Commissioner in the core review process.

approaches to service delivery.”¹⁹ MCFD’s core review direction emphasized community delivery and governance, a goal which Hogg emphatically embraced. The word “community” appeared several times within six bullets identifying the ministry’s core review strategic shifts.²⁰

Hogg believed that community-based governance and service delivery were the right goals regardless of budgetary considerations. He had a vision for the Ministry and no interest in presiding over the *status quo*, with or without cuts: “Even if we had twice the budget, or no budget at all, I fervently and firmly believe that we are going to the right service delivery and the right model for families.”²¹ He understood the daunting task of reconciling a new service delivery model with a deep budget cut: “It’s a difficult time for all of us, given the political imperatives. I have had many a sleepless night as I struggle through this.”²²

Many in the disabilities sector appeared to share his passion. Intra-provincial ministerial consultations produced 400 submissions and over 100,000 visits to their website. “The overwhelming majority of submissions,” Hogg noted, “in some way stressed the need to move toward a community-based service-delivery model.”²³ He anticipated (as detailed in Chapter 3) creation of five administrative regions that aligned with the recently created regional health authorities, along with a permanent pan-provincial authority to support “a coherent and corporate approach to delivering a broad range of services.”²⁴ A parallel consultation on Indigenous governance also produced promising early results.²⁵

¹⁹ Foster, “Back to the Future,” in *People, Politics*, 187.

²⁰ Ministry of Children and Family Development, *Core Services Review*, undated but presented at Open Cabinet, 7 November 2001.

²¹ Cited in Judith Lavoie, *Victoria Times-Colonist* on-line, 16 March 2003.

²² Cited in Lavoie, *Victoria Times-Colonist* on-line, 29 November 2001.

²³ *Debates*, 8 April 2002, 2598.

²⁴ *Ibid.*, 8 April 2002, 2599-2600.

²⁵ Gordon Hogg, *Creating Public Policy*, 91-98.

The restructuring initiative appeared to fly in the face of the *New Era* document's promise to "stop the endless bureaucratic restructuring that has drained resources from children and family services."²⁶ Hogg was well aware of the apparent contradiction. In his prepared remarks introducing MCFD's 2002 Estimates, he borrowed language from the *New Era* document: "We are committed to stopping the endless restructuring of the past. The ministry will make its choices, implement them quickly and stick with them." Permanent CEOs, he promised, would soon be selected. Kith and kin agreements and family court conferencing "as safe, humane alternatives to taking children directly into the ministry's care" would also be introduced in 2002.

Consistent with Hogg's plan, an Interim Authority for Community Living BC (for individuals with developmental disabilities) was established in 2002, along with ten planning committees – five of them Indigenous – to guide regionalization. Completion of funding formulae, transfer agreements, and organizational plans were slated for 2003 with final transfers and full implementation of the new service delivery model in 2004. These remarkable transformation goals were on top of the extensive "identified priorities" within the 270-day plan for MCFD, as noted in Chapter 5. Addressing such an extensive and complex agenda required, one official argued, "the right people in place with the right skills and adequate resources. However, buy-outs driven by budget imperatives pushed some of the most experienced staff out the door when most needed."²⁷

Transformation goals and identified priorities were in addition to ongoing and time-consuming process imperatives. For example, MCFD was expected to deliver its share of

²⁶ *New Era*, 26.

²⁷ Respondent F, interview with the author, 10 February 2019.

“unnecessary” regulations, despite the sensitivity and complexity of potential reforms. One former official suggested that the “crazy push for deregulation led to all kinds of nonsense about freeing people in the field to do their jobs and getting out of the way. That, in turn, led to a stripping of policy and oversight functions in the headquarters.”²⁸ The extraordinary demands on the Ministry executive produced frequent turnover in its ranks – both forced and unforced – further exacerbating the process barrage of core review, budget target review, workforce reductions, office closures, regionalization, devolution, and much more.

The extraordinarily ambitious character of the MCFD change agenda was exceeded only by the extraordinarily daunting barriers that blocked its realization. As one observer noted: “Another visionary minister, Gordon Hogg, found himself caught in the middle of a growing dilemma: how to do more with less.”²⁹ His drive for system reform was undermined by the ongoing imperative of expenditure reduction. For some critics, “community” was code for a provincial government attempting to offload budget pressures and responsibilities.³⁰ As the pressure to find major savings mounted, so too did suspicions that devolution and regionalization initiatives were (in the words of one former official) “a poisoned chalice.”³¹ The fact that community governance and service delivery stayed on the rails for as long as it did was a tribute to Hogg’s persistence, tenacity, and collegial relationship with the disabilities sector.

²⁸ Respondent F, correspondence with the author, 12 December 2018.

²⁹ Deryck Thomson provided the foreword in Leslie T. Foster and Brian Wharf, *People, Politics, and Child Welfare in British Columbia* (Vancouver: UBC Press, 2007): xii.

³⁰ The concerns and suspicions of critics were effectively summarized by Joy MacPhail in *Debates*, 24 March 2003, 5587: “The fact of the matter is that communities are struggling unbelievably, but they know they don’t have any choice except to move in this direction not of the model but of making massive cuts while moving in this direction.”

³¹ Respondent F, interview with the author, 10 January 2019.

Extensive Use of Exogenous Experience Proves a Pale Substitute for Budgetary Dollars

Hogg believed MCFD's system reorganization should draw on exogenous experience. Plans for reform, he said, followed extensive ministerial review of "a wide range of service delivery models and looked at the systems in place in other provinces and in other countries."³² He was also candid about potential risks identified through exogenous experience: "One of my concerns has been that when Alberta looked at fundamental restructuring, there was about a 78 percent increase in the number of children that came into care." In Ontario, the figure was 50 percent.³³ In Hogg's reckoning, the solution was embedded in the problem: "I want to point out that 65 percent of the apprehensions that are made by this ministry are of single parents who are on B.C. Benefits – often women who, with some support within the context of their family, would have the ability to support their children."³⁴ Reduction in the number of children in care was a laudable goal that, as a side benefit, would reduce his ministry's budget pressures.

MCFD examined "various jurisdictions," national and international, in pursuit of policy and practice lessons. Hogg was particularly encouraged by community-level child protection initiatives, "albeit in very small pilot projects," in Ontario and Manitoba that were "very positive."³⁵ He noted that the number of BC children in care had grown by sixty percent over the previous seven years to more than 10,000. Overall, BC had a high ratio of children in care – eleven per 1,000 – versus nine as the national average. A child in care carried an annual cost of \$40,000 and, if numbers were reduced to 1996 levels, budget savings would follow.³⁶

³² *Debates*, 8 April 2002, 2599.

³³ *Ibid.*, 9 April 2002, 2658.

³⁴ *Ibid.*, 8 April 2002, 2602. The same point is made by Pallan but premised on stable funding.

³⁵ *Ibid.*, 9 April 2002, 2656. Hogg also noted a meeting with the Western Australia Disabilities Commission on 10 April 2002, 2733.

³⁶ *Debates*, 8 April 2002, 2602-03. Of that number forty percent were Aboriginal, despite forming only eight percent of the population.

Hogg's plans to restructure services while simultaneously cutting budgets were greeted with skepticism from the NDP opposition. For example, Joy MacPhail noted that Quebec's attempt to restructure while cutting budgets by ten percent produced "a serious crisis". How could Hogg manage a twenty-three percent budget cut in a comparable restructuring? Hogg was far from dismissive of that concern. The comparable experience of Quebec, Ontario, and Alberta – all considered by his ministry – suggested "there are a number of issues we have to manage and mitigate." MacPhail was not persuaded: "The minister cites provincial examples where there have been cuts and restructuring that have led to devastating results for children and families, but there's one difference. Not one of the governments he mentioned has cut as deeply as this government – not one."³⁷

Hogg and MCFD also aimed to learn from New Zealand's simultaneous restructuring and budget cuts of the 1980s which, he observed, raised "concerns with respect to the impact it was having on the poorer, more vulnerable people in society, both families and children." MacPhail was well aware of the New Zealand's experience and cited the central conclusion drawn from it: "the importance of having effective mechanisms to monitor, protect and promote the interests of children, especially during times of major change, and how governments should carefully consider how their actions will impact on children, the most vulnerable and valuable members of any society."³⁸ That objective, she argued, could not possibly be reconciled with a 23 percent

³⁷ Ibid., 24 March 2003, 5588. The only answer Hogg could offer was continued identification and adoption of best practices, citing New Zealand's program of foster care through kin care within extended families, little utilized to date within British Columbia

³⁸ *Debates*, 24 March 2003, 5593.

budget cut nor with elimination of “the persons who could possibly challenge them on that: the child, youth and family advocate and the children’s commissioner.”³⁹

Hogg was as blunt as a minister could be without paving his own exit from cabinet via resignation or dismissal: “Certainly, in the best of all possible worlds, I wouldn’t want to be entering into restructuring at a time when we’re also looking at some changes in budgets and reductions in budgets.” He was compelled to cut his budget, with or without simultaneous restructuring. A stable, protected budget was not among his ministerial options, “but we do have the chance to put in place a much better service delivery model.”⁴⁰ Outside the legislative chamber, Hogg was equally blunt in addressing the media: “Ideally, you wouldn’t want to be doing this at a time when you have a reduced budget. Ideally, when you’re building a new structure, you would want to have, at least, a budget you maintain. We don’t have that luxury.”⁴¹

Hogg remained convinced that restructuring of service delivery was sound, despite budgetary pressures: “We’ve had some of the best experts in the world. We’ve had blue-ribbon committees with representatives from all over the world looking at this, ensuring that we are implementing the best practices, the best procedures and the best methods of getting to service delivery.”⁴² MacPhail believed Hogg’s reforms were doomed to failure based on “the international experts’ advice that the double whammy ...of governance change and deep budget cuts forms dark clouds on the horizon.”⁴³

³⁹ Ibid., 13 February 2002, 1071. Both offices were eliminated as part of core review based on supposed overlap and duplication. The NDP saw the moves as elimination of critics.

⁴⁰ Ibid., 24 March 2003, 5587.

⁴¹ Judith Lavoie, *Victoria Times-Colonist* on-line, 16 March 2003.

⁴² *Debates*, 31 March 2003, 5821. For another example of Hogg on exogenous learning see *Debates*, 24 March 2003, 5590.

⁴³ *Debates*, 25 March 2003, 5605-07.

On occasions when BC Liberal members held the floor in Estimates debate, hints of ministerial frustration sometimes emerged. When asked by MLA Lorne Mayencourt (Vancouver-Burrard) “what was driving the change” in supported child care, Hogg responded: “this ministry has a 23 percent budget target that we have to address in the future. There are no easy solutions as we go forward with that.” The first principle in making those difficult decisions, he noted, was protecting the most vulnerable. Supported child care was “one of those programs as we went down that list that was right at the cut-off line in terms of doing it. We must meet those budget targets.”

The magnitude of budget cuts compelled gut-wrenching choices among vital programs: “If the member is asking us to show supported child care up against what happens in terms of sexually abused children or up against child protection needs, there’s a whole range of those things. We’re really at a difficult challenge...The ministry has such a wide range of programs dealing with so many vulnerable and fragile people in the province that cutting in any area becomes a challenge.”⁴⁴ The demand to do more with less surrendered to the reality of doing less with less.

In March of 2003, Hogg was able to report some progress in caseload reduction: the number of children in care had fallen by over 1,000 (from 10,775 to 9,600, although more recently levelling out) since June of 2001.⁴⁵ Les Foster attributes caseload reduction to two key factors: children brought into care during and after the Gove Inquiry aging out of the system; and reduced apprehensions flowing from youth agreements, kith and kin agreements, and adoptions. Despite this progress, Foster reports, “Treasury Board was concerned that the ministry might not

⁴⁴ Ibid., 31 March 2003, 5793.

⁴⁵ Ibid., 24 March 2003, 5572.

meet its third-year budget target, given the backend loading of budget reductions and its focus on establishing regional authorities. The board ordered the ministry to undertake what became known as the ‘mid-term review’.”⁴⁶ In less cordial language, the Ministry was effectively “in receivership.”⁴⁷ MacPhail’s metaphorical clouds on the horizon were indeed closing in.

Dark Clouds and Treasury Board Close In

Many of the MCFD cuts were “backloaded” to the third year of the three-year plan. Treasury Board recognized that major budget savings were linked to caseload reduction. Gary Collins, addressing the Certified General Accountants of BC, noted: “We needed time to build up that capacity [so] we pushed out a lot of those challenges to the third year of the fiscal plan.”⁴⁸ From Treasury Board’s perspective, backloading was aimed at a smooth transition to reduced caseload levels. This strategy had the unintended side-effect of inducing increasingly vigorous debate as time advanced.

The metaphorical chickens released with a 23 percent budget target in 2001 were coming home to roost in 2003. Through caseload and workforce reductions, MCFD had managed over two years to achieve a seven percent decrease from its baseline 2001/02 budget. After early promising results, “the number of children in care levelled off” leaving the Ministry with unrealized savings and only decidedly unsavoury options.⁴⁹ MCFD would need to find savings

⁴⁶ Foster, “Back to the Future,” in *People, Politics*, 190-91. The “receivership” relationship continued through at least September 2003 according to Judith Lavoie, *Victoria Times-Colonist* on-line, 6 September 2003.

⁴⁷ “Receivership” was the phrase one former public servant attached to the relationship. Respondent L, interview with the author, 12 September 2018. Receivership involved a meeting with Treasury Board (TB) every two weeks for an update on budget and any revisions to the budget target plan required a “change order” approval from TB.

⁴⁸ Cited in Vaughn Palmer, *Vancouver Sun* on-line, 13 May 2003. As noted above, from a ministerial perspective, backloading was the faint hope that the economy would improve, tax revenues would grow, and subsequent budget generosity might alleviate the final cuts.

⁴⁹ Judith Lavoie, *Victoria Times-Colonist* on-line, 8 May 2003.

of over \$200 million in the year ahead to fill the budgetary gap. With year three of the balanced budget plan closing in, Hogg was obliged to put program reductions on the table, arousing further concerns within the disability community.⁵⁰

In May of 2003, Hogg was front-and-centre in Question Period responding to leaked documents. MacPhail initiated the barrage with a familiar theme: “it’s impossible to implement a 23 percent budget cut as part of this restructuring scheme. The opposition has learned that the minister’s own interim authorities are balking at the cuts, refusing to implement the orders.” The most damning criticism came from the government-appointed executive of the Interim Authority for Community Living: “While we are satisfied that the 2003-04 financial plan can be met without risk to the safety and security of individuals and families, we have no such confidence that the same can be said of the 2004-05 budget targets.”⁵¹ The Authority executive suggested a substantial infusion of new funding might facilitate reconciliation: if “government can support a course correction of this magnitude...while maintaining its commitment to the vision that has been put forth, we...are prepared to publicly support the strategic direction of this government in our communities and in our sector.”⁵²

The fragile peace and partnership between Hogg and disabilities advocates and service providers appeared to be near a breaking point. Service organizations feared cuts of up to forty percent. “The scope of the cuts is really catastrophic,” one official declared after review of preliminary numbers.⁵³ MacPhail claimed Collins had in fact put the restructuring project on

⁵⁰ For example, accusations that MCFD was cutting \$30 million in funding for children with special needs. *Debates*, 7 May 2003, 6555.

⁵¹ Cited in Judith Lavoie, *Victoria Times-Colonist* on-line, 15 May 2003.

⁵² Cited in Les Leyne, *Victoria Times-Colonist* on-line, 21 June 2003.

⁵³ Jim Fisher of the South Island Child and Family Development Planning Group, cited in Judith Lavoie, *Victoria Times-Colonist* on-line, 8 May 2003.

hold because of financial concerns. Hogg denied her claim but his normal optimism was clearly under strain as he acknowledged the “significant challenges in terms of the service delivery model and the 23 percent cut....” He also acknowledged that his ministry was “looking at the service plan.”⁵⁴

The following week MacPhail returned to the issue: “The opposition has come into possession of a risk register. According to the risk register, there is a high likelihood that as a result of budget cuts, none of the services required to implement his [Hogg’s] new model will even exist....”⁵⁵ Hogg was absent from QP and while the NDP’s questions were directed to Christie Clark as deputy premier, Collins stepped in and, in response to assertions of elevated risk to the vulnerable, stated: “That is the exact reason why we are reviewing the plan and the service plan” of MCFD.⁵⁶

MacPhail rose the following day with the revelation that consultants in data collection and management had been engaged to address the challenges at MCFD. To her, the intervention of consultants was admission of waste and incompetence. In response, Hogg argued: “Every international expert that has looked at us, including people who were here last week, has said this transformation is the right transformation....”⁵⁷ Notably, the Finance Minister again intervened, without invitation, in the debate: “we have identified challenges in ’04-05 to the financial plan for that ministry.....We’re dealing with that now, eight months in advance....”⁵⁸ Among the

⁵⁴ *Debates*, 6 May 2003, 6525-6.

⁵⁵ *Ibid.*, 12 May 2003, 6661.

⁵⁶ *Ibid.*, 12 May 2003, 6663.

⁵⁷ *Ibid.*, 13 May 2003, 6730. A report by former deputy Doug Allen and Sage Group Management Consultants released in September 2003 references “a three-member panel of experts appointed by government” assisting the Interim Authority and the Ministry in the continuing process of devolution and regionalization. The experts referenced were likely from BearingPoint (formerly KPMG) engaged in May 2003 by Treasury Board. See Vaughn Palmer, *Vancouver Sun* on-line, 13 May 2003.

⁵⁸ *Debates*, 13 May 2003, 6731.

“identified challenges” was the glaring fact that making good on the backloaded program cuts would be a political disaster in the final year before the 2005 election. Behind the scenes, furious negotiations (in both intensity and temperament) were ongoing.

Treasury Board did not relent without a fight. The Finance Minister conveyed little sympathy for Hogg’s predicament in noting: “What we’ve found is just giving people more money doesn’t solve the problem, it just means they keep doing what they’re doing.”⁵⁹ Collins opened the door a crack, advising Judith Lavoie that the MCFD review was to “decide what can be done differently. That may mean reallocating money within the ministry budget or extending the transition timeline. Putting more money into the ministry is the last option, but, at the end of the day it could be considered.”⁶⁰

The end of the day came on 4 June 2003 with an announcement by Premier Campbell that \$122 million “pulled from other areas of government, will be put back into the ministry’s budget next year [2004/05].” The \$122 million was almost exactly what the executive directors of the Interim Authority had demanded for their continued support. According to Campbell: “It was clear in December or January that that [sic] reduction in the number of children in care was not going to be realized, so we started the process of looking at the plan.”⁶¹ He told “startled reporters” (Les Leyne’s words) that the “purpose of establishing a plan is not to blindly follow it”, a sharp departure from the “we shall not waver” rhetoric of 2001/02.⁶²

Campbell’s announcement followed on the heels of another leaked MCFD document that laid out steps required to complete a 23 percent budget cut. Among those steps were elimination

⁵⁹ Cited in Les Leyne, *Victoria Times-Colonist* on-line, 8 May 2003.

⁶⁰ Judith Lavoie, *Victoria Times-Colonist* on-line, 8 May 2003.

⁶¹ *Ibid.*, 9 June 2003.

⁶² Les Leyne, *Victoria Times-Colonist* on-line, 19 June 2003.

of behavioural support programs for children with autism, termination of taking at-risk children into care after the age of sixteen, curtailment of the fetal alcohol initiative, and closure of the Maples Adolescent Treatment Centre in Burnaby. Hogg quickly moved to discount such suggestions. “These were never things we planned to do, it was just that Treasury Board wanted to know how serious the situation really was,” he said. “They were not things we intended to do. They were just to demonstrate the gravity of the situation.”⁶³ The document may have been shaped to get Treasury Board’s attention – MCFD’s own “burning platform”—but any \$200 million list of cuts would of necessity have included highly sensitive programs for the vulnerable. Less sensitive programs had long since fallen to the budgetary knife.

The Ministry paid a steep price for the monetary infusion as, “for the second time in two years there was a major change at the executive level, with three assistant deputy ministers and an executive director being replaced.”⁶⁴ Hogg was obliged in Open Cabinet to state that his ministry’s original assumptions were incorrect and “in order to keep clients safe, the reductions required would have to be modified. This ‘humiliation’ was the price Hogg would have to pay to get more money for his ministry.”⁶⁵ For Hogg, a statement in Open Cabinet was a small price to pay to keep his transformation agenda on the rails.⁶⁶

The infusion of \$122 million partially relieved but by no means eliminated the extraordinary budget challenges at MCFD; the infusion still left a \$70 million gap to fill. A portion would be found through elimination of 525 positions, including 125 social workers, for a

⁶³ Judith Lavoie, *Victoria Times-Colonist* on-line, 9 June 2003. Notably, in an interview over 15 years later, Respondent F reiterated (unprompted) that the list was not what MCFD “intended to do” but rather a way to get Collins’s attention. Interview with the author, 10 January 2019.

⁶⁴ Foster, “Back to the Future,” in *People, Politics*, 191. Vaughn Palmer reported in the *Vancouver Sun* on-line, 11 August 2001, appointment of a new deputy minister, and “wholesale change at the executive level” including replacement of three fired assistant deputy ministers.

⁶⁵ *Ibid.*, 191, 198.

⁶⁶ Gordon Hogg, interview with the author, 20 January 2019.

saving of about \$18 million but leaving a balance to be found of \$57 million.⁶⁷ MCFD's plan as of 26 June 2003 – prepared for discussion with the service providers -- was to re-tender contracts and “give agencies the chance to amalgamate or cooperate or reduce administrative overheads” leading to estimated savings of \$35 million. Further staff cuts would save \$18.5 million, with the balance coming from closure of some smaller group homes, closure of youth custody centres, and from foster care and children in care budgets.⁶⁸

A different controversy beset MCFD long before their 2004/05 budget was confirmed. Doug Walls, acting CEO of the Interim Authority for Community Living, resigned on 17 January 2004 following accusations of wrongdoing that produced internal and external audits and appointment of a special prosecutor. MCFD Deputy Minister Chis Haynes was fired five days later and, in the spirit of ministerial responsibility, Hogg resigned later the same day.⁶⁹

After losing Gordon Hogg as their minister, the community living sector also appeared to lose patience with cuts of any magnitude. MLA Jenny Kwan quoted extensively from leaked letters in the legislature's 2004 Spring session. The government's interim authority cited “a significant dilemma” it faced: “No one believes reduced budgets make any sense in an environment already characterized by wait-lists for those requesting support...[but] the widely-held belief is that the budget reductions will be imposed regardless of community opposition.” In the absence of agreement to meet the \$70 million budget target, the ministry would “employ what was called ‘mitigating strategies’ to meet the budget objectives.”⁷⁰ Among such strategies

⁶⁷ Judith Lavoie quoted figures from Deputy Minister Chris Haynes, *Victoria Times-Colonist* on-line, 15 October 2003.

⁶⁸ Lavoie, 26 June 2003. According to Respondent F, consolidation of often small community-based service providers was highly controversial and staunchly resisted by MLAs. Interview with the author, 10 January 2019.

⁶⁹ This chapter followed investigative reporting by Sean Holman of *Public Eye* in articles published in the *Victoria Times-Colonist* and the *Vancouver Sun*.

⁷⁰ *Debates*, 29 March 2004, 9799.

were termination and re-tendering of contracts, reducing supports for high-cost individuals and one-to-one day programs, closure of two-person homes, and across-the-board cuts. In the words of John Kehler, president of the BC Association for Community Living, “The only way to describe them [such cuts] is draconian.”⁷¹

Service delivery reforms ground on slowly. Budget 2004 suggested that transfers to regional authorities would be implemented “incrementally, based on readiness.”⁷² The devolution of child and family services moved a step forward with the introduction of the Community Living Authority Act in October 2004. The sector welcomed the Act but remained “concerned about the much-reduced budget for the services” that would be provided by the new authority. They called, unsuccessfully, for restoration of \$195 million in funding to the sector.⁷³

New Era Budget Targets Return to Haunt the Golden Decade

The Campbell government attempted to put the dark days of budget cuts and retrenchment behind it with “Five Great Goals for a Golden Decade” in the 2005 Throne and Budget speeches. “Financial prudence and new fiscal capacity will allow us to build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors,” the Throne Speech promised, including additional funding for those programs.⁷⁴ Despite reassuring words, the transition to happier times proved less than smooth. The “constant pressure of managing the child protection mandate with reduced resources”⁷⁵ was soon to be tragically exposed.

⁷¹ Ibid., 29 March 2004, 9798.

⁷² Ibid., 24 March 2004, 9652.

⁷³ Ibid., 5 October 2004, 11410. No additional funding was forthcoming.

⁷⁴ Ibid., 8 February 2005, 11729, and (for the Budget 2005 speech) *Debates*, 15 February 2005, 11894.

⁷⁵ Respondent F, correspondence with the author, 12 December 2018.

A heavily redacted report on the 2002 murder of nineteen-month-old Sherry Charlie, who died while in government care under the “kith and kin” program, was released after the 2005 election. It caused, not surprisingly, media furor and Opposition outcry, precisely as predicted by Les Foster.⁷⁶ Among the issues raised around her murder was the “impact of deep cuts in budgets for children’s services,” which one reporter described as “one of the blackest marks on Gordon Campbell’s Liberal government.”⁷⁷ The controversy took a new turn as “concern about one death mushroomed into concerns about all children’s deaths – particularly after the Solicitor General revealed that over seven hundred child deaths had not been reviewed during the transition period when responsibility for child death reviews moved from the Children’s Commissioner [eliminated along with the Child, Youth and Family Advocate via core review] to the Coroner’s Office....”⁷⁸ That move, as further discussed below, was impaired by the Coroner’s existing budget struggles, then further exacerbated by insufficient funding for the transfer. Dislocation occasioned by New Era budget cuts now revisited the BC Liberal government as it moved tentatively into the “Golden Decade”.

Controversy prompted a 2005/06 review led by Ted Hughes, a highly respected former BC deputy attorney-general and conflict of interest commissioner. Hughes noted that his “strongest impression” from his inquiry was that the child welfare system had been “buffeted by an unmanageable degree of change.” The confluence of ministerial reorganization and service delivery reform, exacerbated by deep budget cuts and “a revolving door in senior leadership positions”, created a “climate of instability and confusion that could only detract from the Ministry’s work on behalf of children.” On the disjunction between demands for expenditure

⁷⁶ An account of this controversy can be found in Foster, “Back to the Future,” in *People, Politics*, 199-200.

⁷⁷ Robert Matas, *The Globe and Mail* on-line, 29 October 2005.

⁷⁸ Foster, “Back to the Future,” in *People, Politics*, 200.

reduction and for concurrent organizational reform, he reported, “it is commonly understood that organizational change costs money” and failure to recognize that fact “had essentially pushed the ministry to what could only be described as a breaking point...”.⁷⁹ Among the examples he cited were “New programs, intended to keep more children at home with their families, were introduced amidst budget cuts to the services that support families and youth in crisis; social workers received no training to help them implement these new programs.”⁸⁰

At the news conference following release of his report, Hughes told reporters “I don’t think there’s any doubt that the core review of 2001 and 2002 took the knife too far.” As a consequence, children “got caught in the cross-fire.”⁸¹ The MCFD experience provided a graphic, real-world example of Christopher Pollitt’s broad warning that “cuts of 20% plus cannot be absorbed without real damage to the quality of services, and anyone who suggests otherwise, as some politicians have done, is, to put it charitably, mistaken.”⁸²

Hughes did not spare Premier Campbell in his report: “I cannot agree with the premier’s earlier assessment that budget cuts did not contribute to the failure of the transition process [for child death reviews] ..., the impact of budget constraints reverberated throughout the welfare system from 2002 until recently.” Of the Premier’s assessment, Hughes bluntly told reporters: “He was wrong.” Hughes noted that even before the botched transition “the coroner [office] was already struggling to carry out its statutory mandate to investigate unexpected and unexplained deaths.” The transfer of \$200,000 to support the expanded child death review function proved

⁷⁹ Ibid., 203-4.

⁸⁰ Ted Hughes, *BC children and youth review: an independent review of BC’s child protection system* on-line, 7 April 2006, 3-4.

⁸¹ Dirk Meissner, *Nelson Daily News* on-line, 10 April 2006.

⁸² Christopher Pollitt, *What Do We Know About Public Management Reform? Concepts, Models, and Some Approximate Guidelines*, A paper presented at the “Towards a Comprehensive Reform of Public Governance” conference, 28-30 January 2013, Lisbon, 8.

wholly inadequate: “Those responsible for the transition were under pressure to meet deep spending cuts across the board and as a result this small program got lost in the shuffle.” By his accounting, “some 955 files of children who died were never properly reviewed” as the coroner’s service struggled with its own budget woes.⁸³

Five years after the *New Era* document condemned the NDP for failure to provide front-line social workers with “adequate resources to do their jobs,” the Premier bore pointed criticism from a highly respected source for an appalling, budget-driven diminution of services to the province’s most vulnerable children. Campbell was reluctant to acknowledge the linkage between budget cuts and the failed transfer. On 16 November 2005, he stated, “Yes, the government does take responsibility [for the failed transfer].”⁸⁴ However, pressed for an apology in the wake of the Hughes report a few months later, Campbell first argued: “Mr. Hughes says that we perhaps took on too many initiatives at once. If we have any failings as a government, I would suggest that it was because we were trying to provide for the children of B.C.”

Challenged again, he stated, “I accept that we took on a big load. I accept that we took on many challenges. I accept that we may have demanded too much of the people that were at work trying to help us do that.”⁸⁵ He offered no acknowledgment that the failed transfer was only one of many MCFD services lost or impaired by the 23 percent cut (approximately 11 percent after the \$122 million infusion) in services that supported, in Gordon Hogg’s words, “so many vulnerable and fragile people.”⁸⁶

⁸³ All citations in this paragraph are from Miro Cernetig, *Vancouver Sun* on-line, 8 April 2006.

⁸⁴ *Debates*, 16 November 2005, 1852. He made no reference to the role of budget cuts.

⁸⁵ Cited in Vaughn Palmer, *Kamloops Daily News*, 26 April 2006.

⁸⁶ *Debates*, 31 March 2003, 5793.

Alas, the pace and magnitude of expenditure reductions was driven, first, by the faulty belief that tax cuts would pay for themselves regardless of the economic environment into which they were introduced and, second, by the self-imposed budget balancing imperative for 2004/05. Sustainability of vital programs finished, at best, a distant third in the pecking order of objectives. Dramatic tax cuts that failed to pay for themselves quickly extinguished the *New Era* promise to “devote the resources to the job needed to put the interests of kids first.” A dramatic tax cut would indeed have dramatic consequences.

In his classic study of policy dynamics, John Kingdon suggests that politicians “need to ask themselves before unlatching [a policy window] whether they risk setting in motion an unmanageable chain of events that might produce a result not to their liking.”⁸⁷ The New Era experience of MCFD was painful and perplexing example of governmental failure to appreciate the critical intersection of tax and social policy, thereby unleashing “an unmanageable chain of events”. Lessons drawn from the experience of MCFD and other social ministries are gathered and discussed in my concluding chapter. My conclusions not only re-engage persistent themes like the dangers of “prescription before diagnosis” and attempting to have “everything at the same time,” but also considers the role of cross-ministry cumulative impacts as a determinant of social policy outcomes.

⁸⁷ John Kingdon, *Alternatives, and Public Policies Agendas*, 2nd ed. (Boston: Longman’s, 1997), 177-78.

CHAPTER 9

DRAWING LESSONS FROM THE POLITICS AND PUBLIC POLICY OF THE NEW ERA

“It just reminds us of the cost, of everything we’ve lost, just bad timing that’s all” – Blue Rodeo¹

Aphorisms sometimes provided vital linkage between inspiration and action in the New Era. Gordon Campbell despised indecision and, in particular, long and drawn-out debates on matters upon which he had already formed his conclusions. He preferred to act decisively before doubters and naysayers could crowd his path. W.H. Murray effectively captured the sentiment: “Until one is committed, there is hesitancy, the chance to draw back.”² Decisive leadership comes with heightened risks and rewards. Any initiative – like a billion-dollar tax cut -- that rolls out the door of a new administration within hours of its inauguration risks categorization as prescription before diagnosis, particularly if it affects every corner of government. An initiative that succeeds beyond expectations may be judged politically courageous, perhaps even visionary; one that fails or falls short of expectations may be disparaged as ill-timed and ill-conceived. The dramatic tax cut proved to be the latter, a product of prescription before diagnosis. Why the rush to take such risk?

The decision to launch a dramatic tax cut on “day one” of the New Era flowed from the well-honed narrative of British Columbia as a jurisdiction that was overtaxed and consequently underperforming economically. The *New Era* platform’s frequent promise of a tax cut certainly demanded its delivery but government controlled its timing and magnitude. The Premier and his

¹ Jim Cuddy and Blue Rodeo, “Bad Timing”, from *Five Days in July*, 1993.

² The Murray aphorism was heard during the New Era and was also very much in play as Campbell reached his decision to support harmonization of taxes in 2009. See George Abbott, “The Precarious Politics of Shifting Direction: The Introduction of the Harmonized Sales Tax in British Columbia and Ontario,” *BC Studies*, #186 (Summer 2015): 125-148.

Finance Minister chose quick and bold. The narrative assumed BC's economy would promptly and positively respond to a bold tax cut; it did not, leaving ministries – excluding the biggest expenditure centres in government, Health and Education – with a massive hole to fill.

Chapter 4 offered two conclusions on the question of why quick and bold. My first conclusion – based on comments from Campbell and his Deputy Ken Dobell regarding cutbacks as virtuous necessity³ – was that self-induced austerity, via deep tax cuts, was chosen to underline the imperative of smaller government through core review. The mandate letter from Campbell to cabinet, laying out core review and related smaller government initiatives, came long before tax cut optimism began to fade, as did his direction to cabinet of 27 June 2001 “that getting costs under control was at the top of the government's agenda.”⁴ The self-induced budgetary hole was intended to focus ministerial minds as they entered core review.

My second conclusion, based on the 3.8 percent growth optimism that Campbell and Finance Minister Gary Collins appeared to nurse into September 2001, is that their metaphorical “burning platform” – self-induced crisis designed to foster programmatic sacrifices -- became a far greater conflagration than they had hoped or feared. Their dramatic tax cuts proved far less efficacious in reversing BC's economic challenges and hence “paying for themselves” than they anticipated. The *New Era* document bubbled with confidence that British Columbia under new and inspired leadership would rapidly return to economic health and wealth; hence it offered up an ambitious social agenda, replete with extensive and expensive promises.⁵ To paraphrase

³ See Chapter 4, pages 83 and 84, offer quotes around the virtuous necessity of budget cuts.

⁴ Cabinet minutes, 27 June 2001, available on the internet thanks to publication by *The Breaker* on-line, 1 September 2017, courtesy of a freedom of information request tendered by reporter Bob Mackin.

⁵ The *New Era* promised, for example, to “improve crucial government services”, “devote the resources to the job needed to put the interests of kids first”, “enhance training, resources and authority for front-line social workers,” and provide “better services for children, families & First Nations.”

Frances Bula in Chapter 2, Campbell and Collins “didn’t think tax cuts would work, they knew they would work.”

As faith in tax cut rebound revenues faded, the Campbell government protected two key political imperatives – dramatic tax cuts in 2001 and a balanced budget in 2004 – throughout the New Era. In the absence of Laffer curve rebound revenues, the balanced budget was largely contingent upon ministerial expenditure reductions. Government cut as deeply (40-45 percent) as it could in resource ministries like Forests and Agriculture without completely incapacitating operations. By refusing to compromise on the twin imperatives of tax cuts and a balanced budget, or to break its promise exempting Health and Education from budget cuts, the government left itself no choice but to demand deep cuts to social ministries.

Dramatic tax cuts were the mother of all policy transfers in the New Era; they also proved a failed policy transfer, the wrong tool employed at the wrong time. “Context matters,” Christopher Pollitt argues. “What is conceptually supposed to be the same technique or model...may turn out very differently in different contexts.”⁶ As David Bond pointed out in Chapter 4, tax cuts in Ontario during a period of protracted record growth will produce very different results than British Columbia on the edge of recession. In one sense, the tax cuts were neither a hurried nor an uninformed policy transfer; BC Liberals had studied and espoused tax cuts for years before making them the centrepiece of the *New Era* platform. In another sense, the tax cuts were both hurried and uninformed; Campbell and Collins announced personal income tax cuts within hours of inauguration, ignoring strong evidence of economic decline, overriding

⁶ Christopher Pollitt, “What do we know about public management reform?”, 2.

the cautionary advice of the Ministry of Finance, and pre-empting a report due weeks later from their self-appointed Fiscal Review Panel.

Premier Campbell made his case for tax cuts succinctly: “There is no reason to expect in British Columbia and only in British Columbia, when you cut personal income tax somehow or other you’re not going to generate the revenue.”⁷ Why, given the record of provincial tax cut successes in the 1990s, would British Columbia of 2001 be any different? Campbell assumed that investors would respond quickly to the bold signal of dramatic tax cuts. With the tax cut of 6 June 2001, he could boast (and frequently did) of having the second lowest top marginal tax rate in the nation. The claim may have had political utility, but was it of consequence from economic and investment perspectives?

More than a year after Campbell and Collins sent a bold signal to the world that “BC was back,” the province was languishing as second last in investment at -4.7 percent while Nova Scotia (12.7 percent) and Quebec (8.2 percent) led the nation in that regard, despite (as detailed in Chapter 4) having PIT top marginal tax rates of 47.3 and 48.2 percent respectively, well above BC’s new rate of 43.7 percent.⁸ The New Era experience suggests that the efficacy of a tax cut may hinge, first and foremost, on the macroeconomic environment into which it is introduced. The world was preoccupied with a bevy of economic and geo-political problems in 2001/02. Tax signals from a jurisdiction accounting for less than one percent of North American GDP may not broadly resonate, no matter how bold. Local investors may have appreciated the BC

⁷ Campbell was cited in Skelton, *Vancouver Sun*, 7 July 2001, 1.

⁸ Statistics Canada, “Private and public investment survey (including housing)”, cited in British Columbia, “Confidential Cabinet Update: Economy and Fiscal Plan Status and Outlook, 14 July 2003, 15-16, and Ministry of Finance “Fact Sheet” appended to a news release of 6 June 2001.

Liberal tax cut signal but other factors – such as global and provincial economic conditions, interest rates, or energy prices – outweighed or obscured that signal.

Small jurisdictions like British Columbia or Kansas can rarely hope to be the tail that wags the dog. Nor will domestic tax policy, no matter how skillfully employed, shield a small open trading economy from prevailing macro patterns and trends in North American and world economies. Some may argue that tax cuts hastened BC's return to prosperity. Perhaps, but the BC Business Council's comparison of the 1990s and the 2000s (discussed in Chapter 4) showed that average GDP growth, as well as new investment in machinery and equipment, was greater in the 1990s under the NDP than in the 2000s under the BC Liberals, despite 2001 tax reductions. As the BCBC argues, cause-and-effect assertions are difficult to prove in a small open economy operating in a much larger continent and world.⁹

Based on steeply declining energy and commodity revenues since 15 March 2001, British Columbia was headed for a deficit in 2001, its own naturally occurring "burning platform", with or without tax cuts. Campbell and Collins "went all in" (to employ an appropriate gambling metaphor) with \$2 billion in tax cuts, believing that sooner rather than later tax cuts would "pay for themselves." The result was an overall \$4.4 billion deficit necessitating deep cuts to social services, as demonstrated in Chapters 6, 7, and 8. Government thereby sacrificed its *New Era* social agenda for the twin political imperatives of tax cuts and a balanced budget.

As Table 6 below suggests, social ministries faced daunting challenges in the form of severe budget and staffing cuts, multiple and contemporaneous process demands, and obligatory

⁹ Peter Severinson, Jock Finlayson, and Ken Peacock, *A Decade by Decade Review of British Columbia's Economic Performance*, Business Council of British Columbia on-line, 5 November 2012, 1-11. Investment in machinery and equipment was 4.59 percent in the 1990s and 3.52 percent in the 2000s, although the latter figure was higher than average in Canada, and the former figure lower than average. Some other indices, like employment growth, were modestly better in the 2000s. Cause-and-effect assertions are indeed hard to prove.

New Era commitments. Such challenges were further exacerbated by the complexity and sensitivity of ministry caseloads. For the Ministry of Children and Family Development, all of these elements combined to generate the metaphorical “perfect storm” symbolized by the death of Sherry Charlie and the flawed transfer of child death reviews.

Table 6: Social Ministry Comparative Challenges

	Percentage Budget/Capacity Cut	New Era Commitments	Process General: Core review Deregulation	Process: Reorg., Regional., Devolution	Caseload Complexity, Composition
MCAWS	30% final/ 45% staffing	Extensive	Extensive	Extensive: Reorg., Devolution	Medium/low: Childcare subsidy
MHR	30% final/ 30% staffing	Minimal	Substantial	Minimal	Extensive: employable unemployed, chronic disabilities
MCFD	23% final/ 23% staffing overall/ 55% of Executive	Extensive	Extensive	Extensive: Regional., Devolution	V. Extensive: kids in care, developmentally disabled

MCFD may have enjoyed a slightly smaller budget cut than those imposed on the ministries of Human Resources and Community, Aboriginal and Women’s Services, but the complexity and sensitivity of the MCFD’s caseloads of children in care and the developmentally disabled made any program reductions extraordinarily difficult. MCFD’s simultaneous and extensive process barrage confounded both its service delivery reforms and attempts at caseload reduction.

New Era budget cuts stood out for their depth and rapidity, forcing ministries to ration services that should not be rationed. As a government contemplates the signal a tax cut might

send, it should also consider what – if a tax cut fails to pay for itself – a “worst case” scenario might look like. Budget and service cuts also send signals to investors about social stability, quality of health and education systems, and availability of child care to employees. In the 21st century, where a jurisdiction resides on a social justice continuum may be just as important as where it resides on a tax curve. In the New Era, replacement of relinquished tax-cut revenues with a combination of user fees and reduced public services meant disproportionate impact on consumers of those services, often the vulnerable and disadvantaged. Tax and budget cuts were a poor prescription to achieve social peace and stability.

Seth Klein of the Canadian Centre for Policy Alternatives (CCPA) argues that the convergence of tax cuts and spending cuts simply negated any benefit from the former to the poor: “In many respects we are witnessing a straight transfer of income from the poor (in program cuts) to the wealthy (who disproportionately benefit from the tax cuts).”¹⁰ The social ministry case studies provided compelling examples of socially and economically disadvantaged individuals and groups struggling to live with less while government waited for tax cuts to pay for themselves. In Community, Aboriginal and Women’s Services, the *New Era* promise to “target child care funding to help parents who need it most” meant reducing the income threshold from \$1,500 to \$1,215 and removing subsidy from 9,000 low-income families. After partial funding restoration a year later, the Minister of State looked “forward to the day when we can restore it to the full amount,” implicitly confirming that funding cuts reflected budget-driven austerity, not ostensible sustainability.¹¹

¹⁰ Seth Klein, “Canada’s Neo-Liberal Descent,” *Canadian Centre for Policy Alternatives* online, 21 January 2002.

¹¹ Lynn Stephens in *Debates*, 1 April 2003, 5852.

In the Ministry of Human Resources, the drive to find \$581 million in savings saw single mothers with children as young as three obliged to seek work, despite changes to the daycare rules that meant “they would actually end up with less money from working than they received from welfare by the time they’d paid for daycare.”¹² The same single mother was no longer able to keep up to \$100 in child support from the Family Maintenance Enforcement Program and if she and her children needed dental surgery, they were now obliged to secure it in hospital rather than a dental clinic, meaning wait-times of several months. Such punitive measures were not driven by a vision of smaller government, but rather by deep budget cuts flowing directly from deep tax cuts.

Cumulative impacts across social ministries were felt most acutely in the Ministry of Children and Family Development. That ministry’s budget targets relied on reducing the number of children apprehended into the care of the province. Minister Hogg noted that 65 percent of apprehensions involve single parents on B.C. Benefits, “often women who, with some support within the context of their family, would have the ability to support their children.”¹³ As demonstrated in all three case studies, ministries were obliged by budget imperatives to ration or eliminate supports for vulnerable children and families, not enhance them. Hogg exposed the core of the social dilemma. His ministry, he said, “has such a wide range of programs dealing with so many vulnerable and fragile people in the province that cutting in any area becomes a challenge.”¹⁴ Most cuts were painful for social ministries, but no less obligatory despite the pain.

¹² Barbara McLintock, “Female Trouble”, in David Beers, ed., *Liberalized: The Tyee Report on British Columbia Under Gordon Campbell’s Leadership* (Vancouver: New Star Books, 2005): 26.

¹³ *Debates*, 8 April 2002, 2602. The same point is made by Pallan but premised on stable funding.

¹⁴ *Ibid.*, 31 March 2003, 5793.

The Child, Youth and Family Advocate Paul Pallan made the point well: “Children and youth do not have to meet or achieve certain standards, measures or outcomes in order to exercise their rights. Rather, children and youth have an inherent right to the best quality of life that we can provide for them right now.”¹⁵ They should not be obliged – as they were in the New Era -- to wait for critical services as governments wait for tax cuts to pay for themselves. The drive to find huge savings within short timelines also drove program reforms (and in many cases policy transfers) that were “only policy ‘sticks’ not policy ‘carrots’.”¹⁶ Carrots are almost invariably expensive either in up-front cost or deferred savings; both were inimical to the New Era’s deep cuts and short timelines to achieve them.

Does Declaration of Victory Mean the War is Really Over?

The throne and budget speeches of 2004 fortuitously followed the awarding of the right to host the 2010 Olympics and Paralympics to Vancouver/Whistler and British Columbia. This remarkable communications opportunity prompted expansive expressions of pride in the province’s achievements – political and fiscal as well as organizational. The 2004 Throne Speech claimed: “It is our time to shine in British Columbia, now and for many years to come. The groundwork for growth has been laid. The foundation for achievement has been built. The new era has begun.”¹⁷ British Columbia was now poised to reap the benefits of lower taxes, less red tape, and an enhanced investment climate.

¹⁵ Advocate, 35.

¹⁶ Seth Klein and Andrea Long, *A Bad Time to be Poor: An Analysis of British Columbia’s New Welfare Policies*, an on-line publication of the Canadian Centre for Policy Alternatives, 5.

¹⁷ *Debates*, 10 February 2004, 8444.

The harsh rhetoric of retrenchment was replaced by the relentless optimism of the “spirit of 2010”. The steely eyed fiscal discipline that stripped funding from the BC Festival of the Arts, the BC Senior’s Games, and the Athlete Assistance Program vanished in 2004 to reveal a bevy of new programs like LegaciesNow and ArtsNow. Although WomenNow failed to move beyond draft concept, the Throne Speech extolled the funding of 70,000 child care spaces, 15,000 more than existed in 2001. What had been wholly unsustainable only three years earlier had now been eclipsed: “The hard work of the last two years has opened new promise for our province. It is bringing our children home.”¹⁸

The self-laudatory tone continued in the 2004 Budget Speech: “today marks a turning point in the history of British Columbia, a day that future generations will recall with pride....we will balance the budget this year, next year and every year thereafter.”¹⁹ Budget 2004 included a brief, understated, and belated acknowledgement of political vulnerability arising from the harsh medicine imposed on social ministries: “We’ve monitored our progress, and we’ve made adjustments where necessary to ensure the best outcomes for our citizens. For example, last year, after a mid-term service plan review, we increased the budget for the Ministry of Children and Family Development.” Even the Ministry of Human Resources, after shedding over \$600 million from its budget in the previous three years, was receiving an increase “recognizing the changes in the makeup of the income assistance caseload.”²⁰

Critics were unpersuaded by the declaration of victory. Joy MacPhail slammed the pretense of happier times: “They seem to think that having crawled back to where they started in

¹⁸ Ibid., 10 February 2004, 8449.

¹⁹ Ibid., 17 February 2004, 8607.

²⁰ Ibid., 17 February 2004, 8610.

2001 is progress. Getting back to where you started is not progress; it is failure.”²¹ Marc Lee of the CCPA argued the budget was “balanced, but on a razor’s edge,” courtesy of \$1.9 billion in cuts since 2001/02: “If there are any economic shocks – such as a repeat of last year’s forest fires, or if planned changes to federal equalization go ahead – we’ll be back in the red.”²²

BC’s throne and budget speeches of 2004 declared victory in the war on overtaxation, government waste, and excessive regulation. Did the speeches also signal that an ideal or optimal state had been achieved around smaller government? Most assuredly not, for as government coffers swelled between 2005 and 2009 (the abbreviated Golden Decade), so too did reinvestment in health, education, and social services. Indeed, by February 2005 a commitment to “build the best system of support in Canada for persons with disabilities, special needs, children at risk, and seniors” now stood proudly among “five great goals for a golden decade.”²³ Further, as discussed in chapter 5, the Campbell government was now proudly extolling multi-million dollar investments in areas like fuel cell development and aviation training that would have been chased from the core review and business subsidy committee rooms in 2001.

Was the Campbell government’s new-found generosity a product of tax cut success? Not by Will McMartin’s reckoning. He noted that over four budget years, revenues demonstrate that “it is painfully evident that the Campbell government’s tax cut failed to pay for themselves.” Although total revenues rose from \$30 billion under the NDP to \$32.6 billion under the BC Liberals, “nearly all of the increase is due to higher transfer payments from Ottawa.” Corporation income tax revenue was slightly higher in 2004/05 than in 2000/01, but even after

²¹ Ibid., 17 February 2004, 8613.

²² Marc Lee, Canadian Centre for Policy Alternatives, *Balanced Budget for BC – but on a razor’s edge* on-line, 17 February 2004, 1.

²³ BC, Office of the Premier, News Release, 8 February 2005.

four years the yield from personal income taxes was 15 percent lower than before the 25 percent tax cut of 2001.²⁴ The apparent new-found generosity reflected a pending election rather than tax cut success.

Lessons to be Learned from the BC Liberal New Era

The New Era offers lessons on both the direction and speed of political and public policy change. Premier Campbell's mandate letter to new cabinet ministers of 25 June 2001 quickly unleashed numerous processes that he believed would be mutually supportive. Tax cuts would stimulate the economy and underline the critical importance of core review. Core and budget target reviews would eliminate the NDP's profligate spending and reduce recourse to the taxpayer's wallet. Deregulation would cut unnecessary costs to industry, taxpayers, and government. Elimination of NDP waste, mismanagement, and business subsidies symbolized by Skeena Cellulose and the "fast ferries fiasco" would save billions that could be redirected to enhanced public services. And the vaunted "Waste Buster" website would allow four million British Columbians to help "stamp out government waste,"²⁵ again allowing redeployment of taxpayer dollars to public services.

The *New Era* narrative and its real-world performance were flawed in multiple ways. Most examples of purported NDP waste and mismanagement involved past capital rather than current operational expenditures; such examples did not provide billions in savings to be harvested and redistributed to resource-deprived ministries. Similarly, the Waste Buster website

²⁴ Will McMartin, "Fiscal Fictions," *Liberalized: The Tyee Report on British Columbia Under Gordon Campbell's Liberals*, ed. David Beers (Vancouver: New Star Books, 2005): 169, based on tables provided on 166-67.

²⁵ *New Era*, 4 and 8.

found remarkably little in the way of ongoing waste. Like the elimination of business subsidies, the website identified few if any savings that might be redeployed in other public services.

Deregulation was deemed a success by government because it exceeded its 33 percent goal. The success of the project lay largely if not entirely in “cleaning up the books,” eliminating statutes and regulations which had long since fallen into desuetude or obsolescence but never formally repealed. Some would argue that the shift from the NDP’s Forest Practices Code to greater industry self-regulation under the *Forest and Range Practices Act* saved millions of dollars. However, any savings in that area only helped the Ministry of Forests achieve their 40 percent budget cut; there were no savings to pass on to other ministries. Regrettably, savings from deregulation -- even in combination with elimination of waste and business subsidies -- could not even modestly diminish the immediate budgetary hole created by tax cuts. These initiatives, as detailed in Chapter 5, contributed to the New Era process burden but provided little or no relief from fiscal pressures.

Pollitt and Summa describe NPM as “a bundle or ‘shopping basket’ of measures, in the main mutually supportive but occasionally mutually contradictory.”²⁶ Although New Era measures and processes yielded some constructive results (most notably the products of devolution described in Chapter 5), overall the confluence and temporal intensity of processes inhibited rather than encouraged the creative and innovative outcomes sought by government, particularly in areas of social policy. The New Era offered more than a few examples of tools from the NPM toolkit that proved mutually contradictory. The impairment of MCFD’s regionalization and devolution processes by a 23 percent budget cut, along with a comparable staffing cut, was an obvious and compelling example detailed in Chapter 8. And, as discussed in

²⁶ Pollitt and Summa, “Trajectories of Reform,” 7.

Chapter 6, the work of core review's External Panel threatened to undermine the devolution of the Safety Engineering Services Branch (SESB) out of MCAWS and into an independent special purpose authority.

Is NPM inherently contradictory as a public management philosophy? Or was it just the way NPM was implemented in British Columbia? Based on the experience of the New Era, I would suggest the latter. The efficacy of NPM tools was persistently undermined by mode of employment: the haste to find immediate savings and protect the twin imperatives of the 2001 tax cuts and the 2004 balanced budget. The frenetic attempt to “have everything at the same time” moved NPM tools from useful to unconstructive. In interviews with the author, former officials complained of too little time for careful policy analysis in areas as divergent as alternative service delivery (“just no time for proper assessment”²⁷) and “kith and kin” agreements with First Nations (“rushed out the door without proper policy analysis”²⁸). The opportunity for positive results was too often imperilled by the drive for immediate results.

Core review could potentially have been a thoughtful and considered assessment of public value generated by governmental programs; instead, it was a blunt and time-limited weapon to make government smaller – and complement the drive for a 2004 balanced budget. As detailed in Chapter 5, elimination was both the easiest and the preferred outcome from core review; if the only welcome or acceptable outcome of core review was smaller government, any program that did not deliver either incremental revenue or a *New Era* commitment to government was assumed to have an “elimination” sign on it. The single-mindedness of core review was such that sometimes not even a *New Era* shield was sufficient defence. The *New Era*

²⁷ Respondent D, interview with the author, 3 January 2019.

²⁸ Respondent F, interview with the author, 10 January 2019.

platform promised to “increase efforts to protect and promote aboriginal languages” while core review’s External Panel called for elimination of the First Peoples’ Heritage, Language and Culture Council, despite strong objections from MCAWS. Core review provided abundant confirmation of the adage, “if your only tool is a hammer, everything looks like a nail”.²⁹

Core review’s goal of smaller government was undoubtedly reinforced by tax cuts and the subsequent “burning platform,” but the failure of tax cuts to “pay for themselves” had implications beyond budgetary deficits. As Pollitt argues, austerity “increases the temptation to rush into some ‘quick fix’ without due diagnosis of the underlying problems.”³⁰ Deep tax cuts demanded deep expenditure reductions; the haste in assigning percentages to ministerial budget cuts precluded full and proper diagnosis of programmatic implications, setting in motion elements of the perfect storm that engulfed MCFD in 2003. Haste to achieve multiple and sometimes competing or contradictory objectives proved a prescription for failure in the New Era. Need it always be so?

Speed, Focus, and Process as Determinants of Public Policy Success

The Chretien government’s program review of the mid-1990s, as discussed in Chapter 5, was widely regarded as “a political success.”³¹ Based on that experience, Jocelyn Bourgon declares governments “should speedily implement big reforms,” unlike Christopher Pollitt who suggests

²⁹ Variations of this saying are attributed to Abraham Kaplan (1964) and Abraham Maslow (1966). Google offers many excellent explanations of it.

³⁰ Christopher Pollitt, *What Do We Know About Public Management Reform? Concepts, Models, and Some Approximate Guidelines*, A paper presented at the “Towards a Comprehensive Reform of Public Governance” conference, 28-30 January 2013, Lisbon, 7.

³¹ Lindquist, “Comprehensive Reform,” 7.

governments “need time to introduce, implement, and anchor reforms.”³² The optimal speed of reforms may well be linked to the area of public policy slated for reform. Les Foster argues convincingly that in social policy “major changes to complicated systems take time if they are to be implemented successfully” and “such changes require additional resources, not a reduction in resources, at least until the changes have been effected.”³³ MCFD’s reforms proved incompatible with multiple and simultaneous process demands and resource attrition. On the other hand, the Ministry of Health Planning was successful in implementing complex service delivery reforms within a remarkably short timeframe, aided by a well-defined mission and an adequate budget (as detailed in Chapter 3).

The success of the Chretien government’s program review may reside as much with focus as with speed. Notably, the review did not attempt to cut taxes nor to replace the “hated” Goods and Services Tax; both would have consumed finite governmental energy and resources. Further, the complex nest of federal Aboriginal programs – at the Prime Minister’s insistence – remained untouched (although a host of provincial politicians would point out here that federal cuts to health and social services transfers to the provinces affected all Canadians). Conversely, in the provincial realm, the extraordinary part of MCFD’s experience in the New Era was not that things fell apart in 2003, but rather that the Ministry accomplished as much as it did given its constraints: budget and staffing cuts, regionalization, devolution, *New Era* commitments, “270 Day Plan” deliverables, and wholesale executive changes. Would regionalization of BC’s health care system in 2001/02 have succeeded had it faced simultaneous budget and staffing cuts?

³² Cited in both cases in Lindquist, “Comprehensive Reform”, 12.

³³ Les Foster in Foster and Brian Wharf, eds., *People, Politics, and Child Welfare in British Columbia* (Vancouver: UBC Press, 2008), 208.

Pollitt and Bouckaert argue that governments “can seldom hope to have everything at the same time.”³⁴ However, “everything at the same time” was precisely what the Campbell government demanded of ministries in the New Era. As in Alberta, Ontario, and New Zealand, the siren song of “bigger, faster, deeper” convinced the Campbell government that reform was a time-limited opportunity, thus unleashing the process barrage detailed in Chapter 5.

Did policy transfer help the Campbell government to achieve its goals? Did ministries take full advantage of the Premier’s invitation to “examine the approach being taken in other jurisdictions to ensure we maximize the benefits of others’ experience”?³⁵ Campbell certainly lit the path on policy transfer. His mandate letter of 25 June 2001 alone offered at least seven new processes or institutions drawn from exogenous sources: core review, ministers of state, and mandate letters (drawn from the federal realm), government caucus committees and the Public Affairs Bureau (from Alberta), the Progress Board (from Oregon³⁶), and deregulation from the international NPM toolkit. Tax cuts (from NPM) and the Fiscal Review Panel (from Alberta) were out of the gate even before the mandate letters.

Chapters 6, 7, and 8 offer numerous examples of policy transfer in areas like welfare reform, municipal powers, government services centres, devolutionary content and process, and child protection.³⁷ The experience of policy transfer in the New Era was shaped by the context

³⁴ Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis* (Oxford: Oxford University Press, 2011), 2.

³⁵ Gordon Campbell to George Abbott, 25 June 2001, 6.

³⁶ Norman Ruff, “The West Annex”, in *Executive Styles in Canada: : Cabinet Structures and Leadership Practices in Canadian Government*, Bernier, Brownsey, and Howlett, eds., (Toronto: University of Toronto Press, 2005), 233.

³⁷ Following are some policy transfers by ministry with the impetus for each noted in (round brackets) and exporting jurisdiction in [square brackets]. MCAWS: government agents’ offices/Service BC (core review) [Australia, Ontario, New Brunswick]; devolution of Safety Engineering and Services Branch to BCSA (core review) [Alberta, Ontario]; *Community Charter* broad powers model (*New Era*) [Alberta, Ontario]. MHR: welfare reform (budget) [Alberta, Ontario, some US states]; term limits on welfare collection (budget) [USA]; liens on homes owned by welfare recipients (budget) [Manitoba, Ontario]. MCFD: community-level child protection reforms (budget) [Manitoba, Ontario]; school based programs (budget) [20 models from “around the world.”]

in which transfers were considered: core review and its strategic shifts, budget and staff cuts of up to 45 percent, plus extensive and daunting 270-day plan deliverables. Staff displacement and compressed timelines seldom allowed for a thorough analysis of policy efficacy in the exporting jurisdiction. Analysis more often resembled last-minute gift shopping for a difficult recipient. Transfers were not coercive, but neither were they voluntary lesson drawing. Dolowitz and Marsh offer a mixed transfer category – voluntary “but driven by perceived necessity”³⁸ – that would have broad application to the New Era. Ministries did not enjoy the luxury of strategic, comparative assessment of programs and jurisdictions. Confronted by intractable problems, budget and staff cuts, and daunting timelines, ministries cast their nets widely and quickly in search of solutions.

As I noted in Chapter 1, my dissertation aims to gather lessons from a complex and controversial period in BC’s political history. However, my account tells only part of the New Era story. In Chapter 3 for example, I offer a brief summary of the Health regionalization initiative in 2001, but that was merely the launching point for years of intense efforts aimed at integration of a large and complex health system. Much could also be learned from a detailed analysis of impacts produced by budget-driven staff reductions at the ministries of Forests and Water, Land and Air Protection on a province increasingly vulnerable to fire and flood. Similarly, an evaluation the long-running saga of Bills 27, 28, and 29 of 2002 – only recently concluded at the Supreme Court of Canada – could also offer vital lessons on the dangers of overreaching in the face of austerity. And, as a final suggestion, a comparative analysis of why Ontario’s tax cuts at least appeared to generate economic growth and governmental revenues in

³⁸ Dolowitz and Marsh, 13.

the late 1990s, while British Columbia's cuts of the early 2000s failed to do the same, might offer important guidance to contemporary governments.

The New Era's new era?

The 2004 Throne Speech contained a curious passage suggesting "The new era has begun."³⁹

The Speech's authors in the Premier's Office were undoubtedly deliberate in this wording. So what are we to make of a lower-case "new era" in the midst of what I have called the New Era? Were the previous three years a hangover from the old era of the NDP, now rehabilitated and regenerated? If so, this conception is strikingly at odds with "the New Era full of promise and potential" where "we can cut personal income taxes and unleash the power of a thriving free enterprise economy."⁴⁰ Not a single word in the 2001 *New Era* document suggested dislocation and sacrifice were essential preconditions for entry into the New Era. Were they?

British Columbia was neither the first nor the last jurisdiction obliged to or wishing to achieve balanced budgets by trimming ministry programs and expenditures. With or without tax cuts, the province was heading for a deficit in 2001 and austerity would not be an uncommon response. Further, given the *New Era* platform's frequent promise of a "dramatic tax cut," delivery of the same was unsurprising. The timing and magnitude of the tax cut were surprising, particularly given cautionary advice from Finance and strong evidence of a weakening economy.

The "day one" tax cut was not only an example of prescription before diagnosis, it was also, as one former official argued, "ideologically based decision-making rather than evidence-

³⁹ *Debates*, 10 February 2004, 8444.

⁴⁰ Both references are from page 1 of the *New Era*.

based decision-making. Unfortunately, this reckless approach caused significant harm to vulnerable citizens, environmental protection, resource management, union relations, and government reputation.”⁴¹ The tragedy was not that the Premier bet and lost, but that he bet so heavily that the vulnerable and disadvantaged suffered for it. For a province at the edge of economic recession, a smaller tax cut would still have sent “a bold signal to the world” without the deep budget cuts that sacrificed the *New Era* social agenda.

New governments confront a vast array of circumstances post-inauguration and each will come equipped with a vast array of ideas, tools, and approaches that define their responses to economic, social, and political problems. Prescriptions will vary but must include a realistic assessment of the “worst-case scenario” should the tools of choice not produce the anticipated results. When a government attempts “to do everything at the same time” within an unpredictable economic environment, it risks inducing a host of side-effects – from unintended consequences to cumulative impacts – that may undermine the best-laid plans and the best intentions of its authors.

No political party, no matter how big its majority, wins the right to remake government and its programs in perpetuity. Remaking or reinventing government is not a time-limited venture; reforms rushed into place will ultimately be judged by succeeding governments and, if found wanting, be repealed. The only permanent damage from rushed reforms is, alas, to the vulnerable and disadvantaged clients who rely on the programs that are reformed. If “life is what happens to you while you’re busy making other plans,”⁴² unanticipated and painful consequences are what happen to governments pushing ideologically based and poorly diagnosed plans.

⁴¹ Respondent B, interview with the author, 3 January 2019.

⁴² John Lennon, from “Beautiful Boy (Darling Boy)” on *Double Fantasy*, released in 1980.

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