

## **Sutherland, Aaron FIN:EX**

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**From:** Currie, David PAB:EX  
**Sent:** Friday, April 29, 2011 10:55 AM  
**To:** Howard, Samantha A FIN:EX  
**Cc:** Sutherland, Aaron FIN:EX; Delisle, Corrie FIN:EX; Gordon, Matt PAB:EX; Edwardson, Jamie PAB:EX  
**Subject:** media - tom fletcher - town hall stats

Tom Fletcher is looking for stats on the first tele town halls.

Okay to share the figures below?

### **Surrey Teletownhall**

- Total dialled 135,277
- Total attendees 26,935
- Total questions entered queue 263
- Avg minutes on call 16
- Questions went live 22

### **Peace River Teletownhall**

- Total dialled 22,224
- Total attendees 5,878
- Total questions entered queue 106
- Avg minutes on call 21
- Questions went live 17

David Currie | Communications | Ministry of Finance | P: 250.387.6591 | C: 250.213.2511

## Sutherland, Aaron FIN:EX

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**From:** Maurmann, Katja [Katja.Maurmann@leg.bc.ca]  
**Sent:** Thursday, May 12, 2011 3:24 PM  
**To:** Sutherland, Aaron FIN:EX  
**Subject:** Tele- Town Hall Question!

Hi Aaron,

I've had several people ask if there will be a transcript available from the tele town discussions in their regions.

Thanks!



Katja Maurmann, Kat  
Constituency Assistant  
MLA Norm Letnick, Kelowna - Lake Country  
Ph: 250-765-8516  
Fx: 250-765-7283

## Sutherland, Aaron FIN:EX

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**From:** Falcon.MLA, Kevin [Kevin.Falcon.MLA@leg.bc.ca]  
**Sent:** Monday, May 16, 2011 10:10 AM  
**To:** Sutherland, Aaron FIN:EX  
**Subject:** FW: HST in BC town hall call and more

**Importance:** High

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**From** S22  
**Sent:** May-13-11 1:00 PM  
**To:** Minister, FIN I FIN:EX; Falcon.MLA, Kevin  
**Subject:** HST in BC town hall call and more  
**Importance:** High

Dear Mr Falcon? have I found you??  
Or is this someone else doing your work for YOU?  
(better be careful - YOUR people I have talked to today were NOT good representatives....)

Hope I have finally reached you?  
YOU called me the other day to tell me that I MISSED a town hall call in my area.  
Too bad - I heard nothing about it before that - and I feel I am a very well informed person.

So today - I thought I would take YOU up on your invitation to visit the web site to see HOW  
you have spent ALL of OUR tax dollars!  
(five million dollar bill on top of the two million dollars already being spent on HST debates, an information booklet,  
and telephone town-hall meetings.)

Well - I read, searched and still had some questions.  
I called a 1800# for info - the man on the other end was rude and short with all of my questions.  
He got very rude and LOUD when I mentioned \$5 million dollars for this?  
Then he told me he is not from BC - he is Federal.  
Still being OVERLY rude and short with me - he blurted out some OTHER web site  
(is this the standard pat answer for everything - here is the web site - GO AWAY!)

I mentioned I did not like the way he was talking to me  
THEN he told me to "go smoke another one?" and HUNG UP ON ME

So then I proceed to call your ministry - because after all - YOU invited me in.

So the receptionist there was a nice and listened and apologized on their behalf.  
I thanked her BUT it really means little due to the fact that it is another example of 'NOT MY DEPARTMENT' pass the buck thing!

So then she forwarded me to what was suppose to be YOUR office  
I think I spoke to Allison ?(NOW I was very frustrated and had TOTALLY WASTED so much of MY VERY VALUABLE TIME)

Allison started out fine - tried top help me navigate through the HST in BC web site.  
Although sounded like she was MORE Lost than I was.  
She kept saying it's loading and why did they change it and other comments - again NOT MY DEPARTMENT TALK.

I shared with her some of my unanswered questions and in her own frustration with the web site  
She took her feelings out on me - total turn around from trying to 'help'.

I got more frustrated after the way she talked and treated me.  
I simply asked her - do you really think all the calls you answer there will be HAPPY CALLS wishing you a nice day?  
Or do you think people calling in might have questions, concerns, frustrations?

## Sutherland, Aaron FIN:EX

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**From:** Falcon.MLA, Kevin [Kevin.Falcon.MLA@leg.bc.ca]  
**Sent:** Friday, May 13, 2011 9:54 AM  
**To:** Sutherland, Aaron FIN:EX  
**Subject:** FW: HST telephone town hall

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**From:** S22  
**Sent:** May-13-11 9:54 AM  
**To:** Falcon.MLA, Kevin  
**Cc:** [christy@christyclark.ca](mailto:christy@christyclark.ca)  
**Subject:** HST telephone town hall

Mr. Kevin Falcon,

S22 of the telephone town hall. S22 about middle class families and what positive effect the HST is having on them. We heard about low income and how this helps them, we heard from seniors and how they benefit, but **MY** question was never answered. We now pay on food, children's clothing, school supplies and instrument rentals for school. As for food, I do not understand how juice with no sugar added is inclusive of the HST, but if I buy a cake that has been made in store, this is not included. I now pay on school lunch snacks and you state that you do not apologize for this as your concern of the health of our children. But the schools provide almost no physical education even though they are required to provide more. This is the 1st item to be taken out of the day if children are misbehaving. Fast food is cheaper than fresh, getting our children into fitness programs requires \$, and the middle class does not have aid in this, unlike low income. And of course, the health care system simply fails our children!

S22 which we are very grateful, but many of the 200 other employees laid off have not been so lucky. Very good friends have had to sell their homes and move farther as the bills have become too much. Friends and neighbours are struggling to get by, and you bring in HST!  
I am tired of feeling like the middle class needs to cough up more money. Families cross the border to spend their \$ as it goes so much further. How does this help our economy. This province has the highest cost of living, how do we survive? I am tired of explaining to my kids that we are unable to do things others can, as we are financially struggling to place food on our table. So again, how does HST help us, the middle class.  
All I hear is "FAMILIES FIRST!". And I ask of you, **WHEN?! WHEN WILL WE BE FIRST?!**  
My children deserve better than what your government is offering. Tell me why I should vote in favour of this tax.  
Sincerely,

S22

## MAY 10, 2011 – FRASER VALLEY TELEPHONE TOWN HALL

Host: Minister of Finance, the Honourable Kevin Falcon

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
144,771	31,622	24,108	19	76%	284	22

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the seventh of eleven regional town halls conducted by Government with British Columbians.

Minister Falcon responded to 22 questions and/or comments during this call. Issues that arose from citizens of the Fraser Valley included the following:

- Exemptions or mitigations for specific products or industries: School supplies, equipment for children's activities, high efficiency vehicles, snack foods, real estate, family run businesses
- Will people receive a rebate on the HST they have paid since it was introduced?
- Impacts on seniors and middle income British Columbians.
- Concerns about the film industry if the Province returns to the PST.
- Lowering the HST rate.

While some callers support the HST; other callers raised concerns about industries who provide services and the impact on these businesses – restaurant, construction, funeral services including driving the underground economy and cross border shopping. Callers also mentioned specific concerns about the employees of service industries and the claims of job creation in general.

Confusion remains about the application of the tax on specific products. University and gas were two things mentioned that should be exempted – Minister Falcon pointed out they already are exempt, in most cases, from the Provincial portion.

### Questions/Comments to Minister

*How will the HST help seniors on fixed incomes?*

*So I wonder if you could take a look at family-owned little businesses. And I really appreciate this call.*

*Will people be able to claim that HST back that they've already paid?*

*We were originally misled by how many jobs the HST was going to create.*

*We've owned a business for 25 years, the HST has been very, very positive for small business. Our bookkeeping is half what it used to be, therefore, the cost for that has gone down.*

## FRASER VALLEY TELEPHONE TOWN HALL SUMMARY

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Host: Minister of Finance, the Honourable Kevin Falcon

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**May 10, 2011 Transcript: Fraser Valley Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST town hall with BC's Minister of Finance, the Honourable Kevin Falcon. My name is Marisa, and I'll be the moderator for the town hall this evening.

Before we begin, I like to say a few words about how this town hall will proceed. The Minister will have some short introductory comments off the top then we'll proceed with a live question and answer period. A word about privacy: this call is being recorded and will be transcribed and posted on our website. So if you do not want your ideas, comments or opinions to be part of the transcript, I recommend you remain in listening mode.

Although, we will include as many of your questions and comments as possible on this call, please keep them short and to the point. If you wish to ask a question during the town hall, please press star 3 on your keypad and you'll be connected to an operator. For your privacy, please use only your first name when speaking to the operator. We want to hear a wide variety of views and questions from the audience tonight. So the operator will make sure we reduce duplication of comments. When you hear me announce your name, your line will be open, and you can ask the minister your question. After you've asked your question, the line will be muted so the minister can respond and you will be placed back in listening mode. Please note there will only be questions and answers during this town hall. We won't have time for follow-up questions. I ask that you use polite language on the call. Anyone using bad language or swearing will be cut off.

Later in the call, you'll be able to provide your feedback on the HST directly to government by answering a couple of multiple-choice question. These questions are not scientific; rather they provide an opportunity to engage you on some important questions about the HST in BC. Thanks for your patience everyone. We'll do our best. We may not get to everyone who has a question or comment with the minister tonight. However, if you stay on the line until the end of the town hall, you will have a chance to leave your comment and record a message. Again, if you want to ask the minister a question, please press star 3 on your keypad. I now like to turn this call over to Minister Falcon for opening remark. Minister?

**Hon. Kevin Falcon:** Well, thanks very much, Marisa, and thank you and good evening to all of you who are joining us on tonight's town hall. I do want to let everyone know that I'm joined by a number of colleagues that are on this call. John Les, the MLA for Chilliwack, Minister Mary Polak, the MLA for Langley, Minister Barry Penner, the MLA from Chilliwack-Hope, Marc Dalton, the MLA from Maple Ridge-Mission, John Van Dongen, the MLA from Abbotsford South and Randy Hawes, the MLA from Abbotsford-Mission.

We're one of the first governments to utilize this technology, and I have to say it has been a great success thus far and we really appreciate that you've all taken time to join us this evening. It's really a great opportunity for all of us to hear directly from you and listen to what you have to say about what is a very important issue facing all of us.

## Check Against Delivery

I want to just start off by being very clear about acknowledging the fact that we, as a government, did a terrible job in introducing the HST, and frankly, not explaining any of it at all to the public. We take responsibility for that and it's partially why we're on this call tonight. It's a way of, first of all, making sure that we can provide some information. So if you have questions, I will do my best as Minister of Finance to answer all of them for you. Also, to make sure that you have that information to make an important decision on whether we stay with HST or go back to the two-tax system of the PST plus the GST. But it's also to listen to your ideas on how we might improve the HST and generate increased support. At the end of the day, we believe is very good tax policy.

Now, just to recap the HST. Under HST, we know that 80% of consumer spending remains unchanged. In other words, there used to be a 7% PST and a 5% GST. That 12% is unchanged for 80% of consumer spending. But on 20% of consumer spending, there is now the additional 7% which used to just have the 5% GST and that's what happens when you harmonize, and that's the additional cost that people are paying that we often hear about.

Now, you say to yourself, why on earth would government do that and create all this kind of headaches, that we've created ourselves? Well, the reason in short is that there are some significant benefits to undergoing that harmonization. The first is, for us as government, it reduces some pretty significant administrative costs. We no longer have 300 tax auditors working for the province at the cost of \$35 million a year to do all the paperwork and auditing associated with a separate provincial sales tax. It then saves small business \$150 million a year just in compliance costs alone. That is their cost of having to not only adhere to the paperwork and auditing associated with a GST tax but also with the separate provincial sales tax.

What's more, there are about 1.1 million low income British Columbians who, today, are receiving an HST credit of \$230 per individual including children for those with their family income of up to \$25,000. It continues higher than that, but it drops off by an amount for each \$1,000 above \$25,000. But under the PST, it's important to know that if we go back to sort of the way it was under the PST, there was actually only a maximum benefit of \$75 and that was for individuals not including children. And that credit was phased out once family income hit just over \$18,000. So tonight, I want to hear your thoughts on the HST and ideas that you may have on how we can improve it. It's important to understand the one perspective that is that any ideas that we have that have significant cost associated with them, they're still very legitimate ideas. But we have to make sure that whatever decision we make in terms of improving the HST, we do it within the context of making sure that we meet our commitment under our balanced budget law that we passed as a government to ensure that we get back to balanced budgets within the next two years of our existing fiscal plan. We also recognize that we still need to meet the growing demand – I wish they weren't growing – but they are the growing demands for increased investment in healthcare and education in particular.

Final note, at the end of June, early July, you will be able to vote on whether or not we keep the HST or return to the PST plus GST. So just keep in mind that starting on June 13th, you will start receiving ballots, and it will have all the information on how you fill them out and send them back in. So



remember, there's no such thing as a dumb question. I'm looking forward to going through as many questions as I can. Thank you again for joining us tonight.

**Moderator:** Thanks, Minister. And Minister, I'd like to perhaps start off with a question this evening that I'm sure many people are wondering about. Why did the province choose to hold the HST referendum using a mail-in ballot, and when can people expect to receive their ballot?

**Hon. Kevin Falcon:** Well, thank you. So Christie Clark, our new premier, committed to moving up the date of the referendum. Initially. It was scheduled for September 22nd. And we agreed to move that date forward so that we could get that vote done in June and July. But we also, we're looking at how we could do that in a way that tries to save as much money as possible in terms of taxpayers reporting on this, because we did hear complaints from taxpayers. But we're concerned about the cost of doing a referendum with a cost north of \$30 million. Under the mail-in ballot option, the savings to taxpayers is about \$18 million.

It's something that we've done before as a government. You'll recall we did one early in the 2000 on the first nation issue. So we have some experience with it. Elections BC is comfortable with it and most of the public seemed to think that that was the right way to go to meet the balance between holding it early but also doing it affordably.

**Moderator:** Thanks, Minister. Before we go to our first question, just to remind people on the line, if you'd like to ask Minister Falcon a question, please press star 3 on your keypad. So first of all, I have [caller] who has a question about seniors and the HST. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please ask the Minister the question.

**Caller:** My question is this. How will the HST help seniors on fixed incomes?

**Hon. Kevin Falcon:** Well, thank you, [caller]. An important question. So one of the reasons why we provided a rebate to 1.1 million lower income British Columbians, which can be seniors on a fixed income, was we wanted to ensure that we tried to minimize as much as possible the additional impact that seniors would now face as a result of harmonizing the PST plus the GST. So for example, that's why we send out cheques four times a year for \$230 per adult. And obviously, this would apply to seniors but also, importantly, for family, for children, too.

So as an example, a single mom who is earning an income of \$25,000 a year and has three children receives \$230 not just for herself but also for her 3 kids. So that would total \$920 a year. Again, that is sent out 4 different times during the year. So the same would apply to a senior depending on what the fixed income of the senior is. If it's up to \$20,000 for an individual, they would get the full \$230. Anything above that amount, it reduces slightly rate up until a high of... trying to remember heading out what that was. But anyhow, it reduces about 4% for every additional \$1,000 of income above there. So the reason we did that was to try to ameliorate some of those impacts that we know that seniors legitimately face

**Moderator:** Thanks, Minister. For those of you who are on the line and you would like to ask Minister Falcon a question, just press star 3 on your keypad. Next question goes to [caller] who has a question around people of low income in the HST. [Caller], are you there?

**Caller:** Yes I am.

**Moderator:** Please, go ahead.

**Caller:** I was just wondering why people in BC who do not pay HST are entitled to the HST refund?

**Hon. Kevin Falcon:** Well, because you know, for a lot of really low income folks, what we want to make sure we do is not make their life any worse as a result of the harmonization. And so, we had an independent panel report that just came out. You probably heard about that last week. It's a very good report. For those of you that have a minute, you can go to [hstinbc.ca](http://hstinbc.ca) and read that report. But as that report pointed out, for the lowest income members of society, they actually come out ahead as a result of the HST rebate. And really for us, as a government, that's just a fairness issue. We're trying to make sure that we protect the most vulnerable members of society by ensuring that, if anything, we give them more than necessary to make up the additional cost that they may have.

he thing to know about HST in a nutshell is that essentially, the more you spend, the more you're probably paying in HST. So really rich people that are out buying yachts and going out to dinner every night and whatever, they are spending lots of money and are going to be paying a lot more than say a senior on a fixed income who is probably, you know, not going out quite as much and not spending quite as much. So we tailor the rebate based on income to try and deal with most of the impact as best we can assess them.

**Moderator:** Thanks, Minister. We're going to go to [caller] for a question now around lowering the HST. And this is a question that's actually coming up quite frequently. And we have a number of callers who would like to have an answer to this question. [Caller], can you ask your question?

**Caller:** Yes, I will. I wonder if you would consider lowering the percentage of the HST say from 12% to 10% because it would make a big difference on a lot of items.

**Moderator:** Well, thank you for that, [caller]. And this is really a suggestion that comes up regularly. One of the things that I think is important for everyone listening to know is that for each percentage point reduction in the HST rate, it costs the government about \$850 million annually in revenue. So, the one thing we just have to be aware of as we think about this option and certainly dropping the rate, 1 point or 2 points. It's something that we can look at, we just have to reflect on the impacts to revenue and making sure that we can still continue to provide the services that people want to see in terms of increased healthcare investment for an aging population, but also making sure that we meet our requirement under our law to balance the budget.

As you know, when we had the international economic meltdown, we went into a deficit. As a result of that, every minister in our government took a 10% pay cut which is required under law, and we don't get that back until we balance the books. And the idea there was to make sure that we have real focus

on getting us back to a situation where we are not spending today and giving the bill to our kids tomorrow. So within that context, that is a very good suggestion, [caller], you need to know about. I appreciate it.

**Moderator:** Thanks, Minister. Next question is from [caller] who has a question around the HST and family. [Caller], are you on the line?

**Caller:** Yes, I am. Hello

**Moderator:** Please, ask the Minister your question.

**Caller:** Hello, Mr. Falcon. In my little world, okay, I've noticed a lot of people are actually not going out and enjoying a coffee and a donut or an ice cream or anything else because of the extra money they have to put out now. I know it's probably more of a mental block, but I feel sorry for the people who earn their living from this type of income because they're simply not going there. I go out weekly with a group of ladies, and I notice the same thing. Yes, most of them are on the lower income, but they haven't got there yet as far as what's going to come in later. I know...

**Moderator:** Sorry, Minister. I believe she got cut off.

**Hon. Kevin Falcon:** Okay. No problem. I think I definitely got the gist. And [caller], I sincerely apologize for cutting you off. If there was something more you wanted to say, please phone back, and they'll make sure you can finish your question. I think at the end of the day, what [caller] is pointing out is look, there is an additional impact, and there is, folks. I want to be really clear about that. In fact, the independent panel pointed out that for the average family, there is an additional cost of about \$350 per year. So, I don't want to pretend that there is no additional cost by harmonizing the PST plus the GST. The reason why we do it is because, overall, we believe that the incentive it creates and the investment that is an attraction to the province, [inaudible] some of the additional costs that are imposed in this sense.

Prior to us harmonizing, a lot of us were paying what I call the invisible PST without every noticing it. So businesses that were paying PST on their power, their heat, their rent, their computer equipment, vehicles that they're purchasing. All of those PST cost they were paying, they pass along in the form of higher prices for whatever their good is that they're selling to us as British Columbians. And under a harmonized sales tax, what happens is all of those costs get removed, and so there's a significant benefit for those businesses that, the evidence shows pretty overwhelmingly, right across the country, that those costs are ultimately passed along. Those savings are ultimately passed along to consumers in the form of lower prices. Now, in fairness, some people just don't accept that, they don't believe it, and there's nothing wrong with that. But I think it's pretty clear. If you believe in a competitive marketplace, that we have in this province, and you think that competition generally drive prices lower, then you will accept that argument. If you don't then you probably won't accept it. But I think that, [caller], you need to note here that the increased impact is something that you recognized and it's something that we should deal with and I thank you for that.

**Moderator:** Thanks, Minister. We will not go to [caller] who has a question about the HST in the middle class. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Great. Could you ask your question?

**Caller:** Sure. Good evening. Does this government realize that this has really affected middle class families, the quality of life for the families such as eating out, parking, buying teenager clothes, prepared food that helps you get food on the table? And also, does the government realize that people are going over the border into Washington to do the shopping that they need to do because they just can't afford to do their business in BC, and the government is losing millions of dollars because of that?

**Hon. Kevin Falcon:** Sure. Yeah. And [caller], I'm from Cloverdale. So I'm very much aware of the lure of cross-border shopping for sure. I think, you know, [caller], it's interesting. I had this question on a call I did in a previous telephone town hall. I think the important thing to recognize is that the cost for retail has not changed. It was 7 plus 5 before we brought in HST and it is still 12% under the HST. In other words, for clothing, for electronic products, TVs, all the kind of things that we typically go out to a retail store and purchase has not changed. And I also think it's important for us to remember that when we cross the border to Washington State, they also have a 9.5% tax that covers everything including restaurant meals, too. So I'm not saying that people don't cross the border to do shopping, they do. And they often do because they still think, you know, the prices are better there. And in some cases, they are. I would argue that in some cases, they have a more competitive retail environment that might see some lower prices on some goods. At least that's what some people tell me. But I think if you think about the HST and what it was before, there's been virtually no change on the retail sector, except I will give the one exception I do hear about. Children's clothing is exempt. But some people have pointed that adult-sized kids or larger kids, you know, get bumped over to children size clothing amount, and they end up having to pay that additional 7%. So I do want to acknowledge that. But for the most part, retail spending tax has not changed at all for the vast majority of products.

**Moderator:** Thanks, Minister. We like to go to [caller] now who has question about the HST and children's clothing. [Caller], are you there?

**Caller:** Yes, I am. Yes, Minister. I would like to say, I would like to keep the HST. There are a few areas of that I would like to see changed and that is for my grandchildren. Now, would there be HST on going to university? And I would also like to say that young families, yes, are having a hard time and also that I'm a senior. And sometimes, it is hard going out and it's very hard buying gas. And those are the kind of things that I find should be looked at. Thank you very much.

**Hon. Kevin Falcon:** Thank you very much, [caller], for that. So a couple of quick things. First of all, no, it does not apply to university tuition and it does not also apply to gasoline. I think it's important that the public know that. There's been no change on gasoline. It does not apply to home heating fuel, which is another example. It does not apply to basic groceries. And what I mean by that is basic grocery, the GST never applied to basic grocery and neither does the HST. So the best way to think about HST is when we

harmonize the PST with the GST, whatever the GST applies to, generally speaking, the HST applies to. Whatever the GST did not apply to, the HST generally does not apply to, with some exceptions that we made. So nothing on gas and nothing on university tuition fees.

On children's clothing, again, children's clothing is exempted. So there is no provincial portion of the HST on children's clothing. But as I pointed out on my last answer, the one thing we have heard is that some parents have said for some of their larger-sized children that don't fit under the, you know, the children size definition of what children size clothing is, they're finding that they're having to pay the additional provincial 7%, and so, we've made note of that.

I do think it's really important to point out one thing though. The biggest complaint we usually get from small business actually had to do with the children's exemption on clothing because you may recall in the old days, we used to have to go into the store and say well, this is for a child and you would sign that piece of paper. And the retailing establishments were required to keep all that paperwork. They were audited on that paperwork. It becomes a big administrative headache. So that was one sense of relief, of getting away from that and just going to the same way that the GST applies to children's clothing. But as I say for large-sized kids, some people are complaining. So I made a note of that. Thank you, [caller].

**Moderator:** Thanks, Minister. Next stop, [caller] has a question about the HST and small business. [Caller], are you there?

**Caller:** Hello.

**Moderator:** Hi, [caller]. Go ahead and ask your question.

**Caller:** I'm a small business and I used to pay under a million dollars a year when I used to pay 5% on all the money I took in. And most small businesses have a hard time to make, say, 20%. And now I got to pay 12% off the top of every dollar I get. And then if I make any money, I got to turn in my income tax after. So I wonder if you could take a look at family-owned little businesses. And I really appreciate this call.

**Moderator:** Well, thanks, [caller]. And I appreciate that question. With respect to small business, I think that one of the things I have to honestly say, with respect to HST, is not everybody is an equal winner – even in the small business sector – with respect to HST. So someone previously had mentioned restaurants, for example. There's no question that there's now that additional 7% that is being charged to restaurant meals. But what I am increasingly hearing from the restaurant sector is, especially when they are reinvesting in their business or they open a new restaurant or expand, they get significant savings from no longer having to pay the PST on virtually everything. They pay on their tables, their chairs, their napkins, their glasses, you know, basically all the things that go into a restaurant that used to have PST charged are now gone out of their cost and that's significant savings. So [caller], I'm not sure what your personal small business situation is, but what I can say, just stepping back for a second, is we have taken the small business tax rate from – it used to be a high over 8% back in the late 1990's, down to 2.5% today. We also took the threshold for what we define as a small business. It used to be \$200,000 when I first got elected in 2001. And we raised that threshold up to \$500,000 meaning that you qualify

for the small business tax rate which is now lower up to half a million dollars when it used to be just \$200,000. I think that's just to give some context around what we're trying to do.

And the final thing is, [caller], you mentioned on your personal income, we reduced personal income tax rates by 37% since 2001. And you know, one of the things that I often hear from people, and I'll just say this now because I think it's important, is people correctly point out – well, you know what? I pay it on, you know, property taxes going up, you know, I get hit with HST and all these other things, whenever they may be, and they say, you know, I really feel like we're struggling to get ahead. And that's all legitimate. The one thing I will say is that our most recent budget, the 2011 budget, there's a section in the appendix, appendix A3 that you can go to, and it looks and compares British Columbia families, you know, everything from a seniors couple earning \$30,000 a year to a family of four with different sorts of typical examples. And it compares all their tax loads, their income taxes, their MSP premiums, their HST – all of that rolled up together – and compares us with the other provinces. And British Columbia is the second lowest in the country. Alberta just edges us out, but we are the second lowest in the country. Now, it doesn't mean we're perfect. And we can always do better. And that's why we're listening tonight because we want to see how we can improve the HST and further reduce some of the impact that you folks are identifying. But I appreciate that question.

**Moderator:** Thanks, Minister. [Caller] has a question around the HST and seniors on fixed income. And there are a number of people with questions along this theme. So [caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** I've already asked that question at the top of the very show. I was the first person to be asked that question. But I have another question if I may. And my question is this.

**Moderator:** Go ahead.

**Caller:** Thank you. If by the time we have our referendum and the HST is defeated, will people be able to claim that HST back that they've already paid?

**Hon. Kevin Falcon:** Thank you, [caller]. So first of all, congratulations. You're the first caller that's ever gotten on twice with two questions in all the town halls. That's remarkable.

In terms of getting back what they paid, no. The short answer is no. In terms of having to, you know, for those that receive rebates, will they have to pay them back. No. They don't have to repay them back either. So that everyone keeps what they got and everyone's paid what they paid.

The bigger challenge, though, [caller], candidly, as a Finance Minister and frankly, as a taxpayer – and we're all taxpayers – the bigger challenge of going back to the PST plus GST system is really this. The federal government provided us \$1.6 billion in transition money to transition into the HST, into harmonizing. And they did that because they essentially gave us the same deal they gave Ontario when Ontario harmonized. So on a per capita basis, we got the same deal. That's \$1.6 billion. If we go back to

the PST plus GST system, we have to repay that \$1.6 billion. Now, some people say don't pay it. But I can tell you this as Finance Minister, they get it back whether we want to give it back or not. All they have to do is deduct it from future transfer payments to us. So I just think we should be aware of that, whether they don't send it to us or take it back, we are going to have \$1.6 billion less left to support in healthcare and education and the other things we're using to get back to a balanced budget, whatever it is. The other thing is, because HST, first of all, harmonizes and it's got a broader base, it includes services now. Remember, the GST is a goods and services tax. When the old PST was first brought in 1949, it was what we call a retail sales tax, and it applied mostly to goods. The reason why harmonization expanded is because it covers services now. And the fastest growing part of our economy is actually the service sector. So from a long-term perspective as a taxpayer, whether I was Finance Minister or even after I'm done politics, I just have to say this so candidly: you really want to have a consumption tax that is modeled on a GST model, not in the old sales tax model of the PST. Because it actually, over time, generates more revenues for government and it's a more efficient tax which attracts more investment and opens up opportunities for more job creation in the province. The independent panel suggests almost 25,000 new jobs will be created as a result of the HST, and these are high paying jobs. These are not, you know, sort of McDonald's jobs. These are higher paying jobs. And I think that's exactly what our economy wants. So we have to think about not just paying back the \$1.6 billion. But also the loss of income we'll see. And just in the 2-year period in 2013 and 2014, they've estimated that the incremental revenue loss in those 2 years is almost \$1.2 billion. So in 2 years, you're looking at almost \$3 billion less in revenue as a result of a decision to go back. Now, that doesn't mean it's not a legitimate choice and people, you know, can legitimately say, well, you know, Falcon, I don't care. Go back to that PST-GST and deal with it by cutting spending or whatever you got to do. All I'm saying is that, you know, most people are not saying to me to spend less in healthcare, spend less in education. Today again in the legislature, you know, the NDP wants to spend more on virtually everything. So not that that's anything new, but that's often a common theme out there. So I'm sorry, it took a while on that answer, [caller]. But I do think you raised a really important point about, you know, the going back to PST plus GST option

**Moderator:** Thanks, Minister. [Caller] is on the line, I hope. And he has a question about the HST and new home construction. [Caller], are you there?

**Caller:** I am, indeed.

**Moderator:** Please go ahead.

**Caller:** Thank you Mr. Falcon, the question I had about real estate is that with the change to a harmonized sales tax, one of the things that got significantly impacted was new home purchases which were subjected to the GST and wouldn't have been subject to provincial tax. With the steady increase in real estate prices, and the cap on a refund on the HST on the home purchases, roughly say half a million dollars, what are you, as Finance Minister, and the government looking at to be able to either increase the subsidy reduction with those increases in real estate prices, or what steps are in place to make certain that that's going to be reduced over time?



**Hon. Kevin Falcon:** Thanks, [caller]. So [caller] is referring to the fact – and just a quick recap for the listeners, on the vast majority of home house sales or condo sales, in other words, when you're buying a condo that's existing or used condo, someone lived in it, there's no HST or whatsoever. But he correctly points out that on new homes, when you're buying a brand new home, what we did in working with the development industry, the folks that are generally building the new homes, is we put in essentially an exemption up to \$525,000. So there's no effect of change if you're purchasing a home up to \$525,000. Over \$525,000, [caller], you correctly point out there is now that additional cost that people will be paying. So I think your point is, can we do something to the threshold? I'll make a note of that. And look, I think it goes into the, you know, the suggestion box really which is what this listening excises is all about. And we're going to look at that suggestion and all the other ideas that are coming forward, rate caps and all the rest of it to see what we can do to try and minimize or eliminate the impact, the additional impact on British Columbians as best we can while at the same time trying to protect, you know, healthcare and education and being responsible about our budgeting. So thank you, [caller], for the suggestion

**Moderator:** Thanks, Minister. And now, we'd like to go to [caller] who has a question relating to MLA salary. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Okay. I'm referring to a couple of years ago. You guys raised your salary 30% or 40%. Now, you've lowered it 10% until you get the deficit cleaned up. Hey, I'll tell you what. I think just about anybody in my position, everybody in the town that I live in would take the same kind of deal.

**Hon. Kevin Falcon** Yeah. No, entirely legitimate. So there was – and [caller], forgive me. But I forget exactly when that happened. But there was a review a number of years ago, an independent body that looked at, you know, because this is a perennial problem. What the heck should we be paying ourselves? And we don't like to give ourselves raises. So we went to an independent panel that came back with a recommendation and adjusted upwards. And I forget the percentage amount, but it was significant at the time. The MLA salaries adjusted up, and we were criticized by many. But I think frankly, it's a no-win.

What I can tell you, though, and it's fair to make that criticism – what I can tell you is that we have frozen all MLA salaries now. So there's been zero increases in MLA salaries as soon as the economic meltdown hit. We have frozen all public sector wage increases. We've now had dozens and dozens of wage settlements with the public sector with zero increases in wages. We've made that very clear. We call it a net zero mandate. There's going to be no effective increases, and frankly, we're the only jurisdiction that I'm aware of in the country that has actually held to that. And you're right, cabinet ministers fall under the balanced budget law. We put in a law because during the 1990s we had 8 out of 10 years in which there were deficits that were run up and a significant increase in debt. So we put in balanced budget legislation that said if the province goes into deficit and we got back into the balance budget legislation, say we had to balance the books within 3 years which we did. We stayed in balanced books, actually surplus for a number of years, and then the international economic meltdown hit. We



went into deficit. Every cabinet minister, as a result to that, took a 10% pay cut including myself, and that is entirely right and appropriate under the legislation. And we don't get it back until we get back to a balanced budget. And that is simply because the principle is we don't want to be spending money on programs today and services that people received today and then handing the bill to our kids tomorrow. That is the fundamental principle underlying that. But I thank you for your question.

**Moderator:** Thanks, Minister. [Caller] has a question relating to the HST on services. [Caller], are you there?

**Caller:** I am. Thank you for letting me on. The question I have – I've noticed we have a plumber come in – and prior to this HST stuff, he never charged tax on his service, like he get \$70 an hour or whatever it is. But now, we got to pay HST on top of the \$70, and he never charged that before. Anything he charged was just on parts. He never charged taxes on labour. Hello?

**Hon. Kevin Falcon:** Yeah. Sorry. Go ahead, [caller]. Are you finished the question, [caller]?

**Caller:** Yeah, I am. I'm just wondering if there's something you guys could do about that?

**Hon. Kevin Falcon:** Thank you, [caller].

**Caller:** The taxes on services?

**Hon. Kevin Falcon:** Yeah. I'm making the assumption that this isn't [an MLA] that's asking the question. Good. [Caller] is okay. [Caller], so this is interesting to mention the plumber. Because actually, I had the exact situation where my hot water tank went just before Christmas. I called in the plumber whose name was on the tank. He came in and fixed my hot water tank, and we're having a discussion afterward. And he was filling out the form and handing it to me and saying, you know, there's now HST on this. Ironically, he didn't know who I was at the time and maybe because I looked fairly – I was wearing my glasses, and I looked like a bit of a bum two days before Christmas. But nevertheless, he said to me, you know, it's interesting this HST, you know, you're paying HST just here you know. But the savings that he's realizing now as a small businessperson has allowed him to direct the savings to his little business. He said, I just have a little operation. I think he's got four other employees or something. But the savings are so significant that he's looking at taking on another employee because of the savings. And essentially, to your situation, what happens is that you were always paying PST and all the materials they were charging you, and so are we, and so just as everyone else out there they're no longer paying those PST costs. They get those costs back. They called them input tax credits. But you are paying the HST now, the additional 7% on the labour cost. That is true. So you know, it's one of those trade-off pieces to be honest with you, [caller].

So what can I do about it? The truth is not a lot. Because with the HST, we are harmonizing with the GST. So you have to look at it and say, overall, we believe there are benefits to the economy in terms of growing the economy and generating ultimately additional revenues with the province which support balancing the budget and paying for, you know, education and health, etc. And we also know that a lot

of that invisible PST, you know, trickles down in terms of lower prices for all of us as consumers in most cases. But thank you for that question.

**Moderator:** Thank you. I'd like to remind everyone that if you want to ask a question, please press star 3 on your keypad. Now, we had a number of people who have dialled since this call started, and I'd like to throw it over to the Minister to perhaps say a few remarks at this point. Minister?

**Hon. Kevin Falcon:** Sure. Thank you very much and thank you for all the additional folks that are joining us here. We really appreciate these telephone town halls have just been an exceptional way for us to reach out to the public and listen to ideas on how we can improve the HST. We fundamentally believe that it is the right public tax policy. But we totally recognize that we did a terrible job as a government in introducing the HST and not explaining it at all to the public. And the hope and the goal that we're trying to achieve with these telephone town halls, where we get literally tens of thousands of people on these calls in any one call is to try and address and answer questions. But also to look for ideas on how we can minimize or eliminate the additional impact that HST has had on typical families here in British Columbia. So we try to talk about the good, the bad, the ugly, try to answer questions as best we can, and look for ideas on how we can improve it. Because at the end of the day, as I say, we think that going back to a PST plus GST system would really be a step backwards in a very significant way.

140 countries around the world have all got harmonized sales taxes. They called them value-added taxes. There is no jurisdiction anywhere in the world that has gone and introduced what the PST would be. If we went back to the PST plus GST, we would really be the first jurisdiction in the world in 35 years that introduced a retail sales tax, which is what the PST is. It's a very inefficient form of taxation. So we recognized the bad job we did in introducing and not explaining HST. We realized we're trying to make amends here. But we're also looking for your ideas on how we can improve it. So thank you so much for joining us. And I'm continuing to answer questions here, and I'll get through as many as I can in the 90 minutes that we have in this program.

**Moderator:** Thank you, Minister. And now, we go to [caller] who has a question about the HST and the film industry. [Caller], are you there?

**Caller:** I am here.

**Moderator:** Please go ahead.

**Caller:** Hi. There's a serious concern regarding how reinstating the PST over the HST will threaten BC's film industry which, you know, most people know but many don't understand how huge the revenue is that comes into BC from the film industry. It's in the multimillions, it's approaching a billion. And if we lose more of, unfortunately, the American projects that come into Canada, we will see that trickle down to restaurants, through hotels, through the employees of these places, and it goes on and on and on. And my question is, what are your feelings about this? What do you see happening?

**Hon. Kevin Falcon:** Well, Thanks, [caller]. And you know, at the end of the day, what you're talking about is exactly what the reason why we harmonized PST plus GST into the HST. The film industry, they

have been out saying many, many times, this is the single best thing the government could have ever done for the film industry because they are now winning films that we, in British Columbia, are now bringing films into British Columbia that are coming here in large part because of the harmonized sales tax. And the reason is that, again, as I say, imagine the film business and all of the costs for building construction sets, all of the vehicles that they use, all of the costs that are involved in putting together a movie, virtually all of them had PST applied to them. And under a harmonized sales tax, all of those costs are now stripped out. So it becomes a much more attractive place to make movies. That generates the kind of new jobs and high paying jobs by the way that allow people to go out and spend money, whether it's in restaurants or doing whatever people do with the dollars that they have available.

It's estimated that there's potentially 20,000 jobs directly associated with the film industry in the province. So we want to grow those kinds of jobs. They're high paying jobs. You know, virtually every community and region in the province benefits to some extent from the film industry. They tend to move their shoots around the province. And I think, you know, we don't often get too many people saying much positive about HST, but that's where I think a really good example of an industry sector and there's many like it – the mining industry, forestry industry. I can go through all the different sectors – construction industry – where there are similar stories, and we need, as a government, to make sure that when the public makes their decision at least it's an informed choice that they have the facts, that they understand that there's good, that there's bad. And they can make an informed choice as to whether they think on balance it's worth staying with or going back.

**Moderator:** Thanks, Minister. We now have the first of two feedback questions to get your thoughts on the HST. I'll be asking you to select an answer by pressing a number on your keypad. Please listen carefully to the options. I will read the question and the answers twice.

So here's the first question: Government HST revenues increased faster than PST revenues would have because the HST tax base is broader. If you could only pick one way to use any additional HST revenue which of these would you choose?

There are 3 options:

Increase spending on healthcare and education, press 2.

Reduce British Columbia's tax burden, press 3.

Provide additional support to family and children, press 4.

So let me read that question and answer options again.

Government HST revenues increase faster than PST revenues would have because the tax base for HST is broader. If you could only pick one way to use any additional HST revenue, which of these would you choose? There are 3 options. Increase spending on healthcare and education, press 2. Reduce British Columbia's tax burden, press 3. Provide additional support to family and children, press 4.

We will now go to another question from a caller.

And [caller] has a question about funeral costs and the HST. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please, go ahead.

**Caller:** Okay. Thank you, Minister, for this telephone meeting. I have a question regarding how the HST applies to the cost of funerals and the death tax.

**Hon. Kevin Falcon:** Go ahead, Ken.

**Caller:** Hello.

**Hon. Kevin Falcon:** So is that your question?

**Caller:** Yeah. Like as you get older, you go to pay your funeral. And now they want to put HST on top of that I understand?

**Hon. Kevin Falcon:** Correct. So this really reinforces the old adage that nothing is more certain in life than death and taxes.

So certainly with the HST, it does apply to funeral services. But again, the thing I would point out with respect to the funeral business is that you used to have to pay... well, I went through this in the family situation; but, you used to have to pay PST on caskets and a lot of the other costs associated with it that are no longer there.

So you now pay HST on your funeral services. But funerals do have, again, a lot of the old costs – that they used to have PST on – they now get full tax credit for. So that again, in some part, will, in a competitive situation that you presumably have in the funeral business, result in more competitive pricing for consumers. But I don't want to pretend that you're not paying some more with HST. You are.

**Moderator:** Thanks, Minister. So just a reminder to our callers that if you would like to ask a question, just press star 3 on your keypad. Just to let everyone know, we've had 24,000 people take part in the call tonight, which is a wonderful turnout.

Right now, I'd like to go to [caller] who has a question about the GST and PST as it relates to the HST. [Caller], are you there?

**Caller:** Yes, I am. Thanks, Mr. Falcon. The question generally was, the GST and the PST, why wasn't it harmonized to start with? By that I mean, the PST and the GST and the HST, they're not really harmonized because as you just mentioned, we're paying increased cost on a lot of things we didn't before. And you have mentioned the increased revenue to the province which, is good in one part. But if you come out of my pocket going to the medium and large business primarily, small businesses get my money when I go and spend it there. So I would disagree with you on some of those things. And by the way, I had the opportunity to meet you.

**Hon. Kevin Falcon:** Yeah. Thanks, [caller]. As I jokingly said the other day, I'm living the HST dream over here. But I really appreciate that question. And look, I think it's an important to recognize when the PST

was brought in, it was brought in in 1949. And it was, you know, at that time, that was the kind of thing the government did. It was a retail sales tax largely on goods, not services. Our economy has really evolved since then. I mean, we no longer are manufacturing lots of stuff here. We're increasingly into the knowledge sector, we're into film and all these other things that involve services. And we want to – I believe it is the right thing absolutely, not just for my kids and your kids but our grandchildren, that we have a tax system that is frankly responding to the changing world. And that's what the GST was all about.

Remember, the GST when it was brought in, was really controversial because it replaced an old manufacturing sales tax that applied to manufacturers and made BC companies or not just BC companies, Canadian companies far less competitive internationally. There's just no doubt about it. And so, when they brought that in, you know, way back in the 90s I guess it was, there was a lot of controversy associated with that. But today, there's not. In fact, there's nobody to saying let's actually go back to the old manufacturing sales tax. And so, it is with this discussion. We are harmonizing the PST with the GST because, on balance, we believe that it builds a stronger economy, creates an environment that encourages investment and job creation and the creation of growth and businesses. And you're right, [caller], to point out that it is a benefit to business. The independent panel points out about \$750 million in benefits in terms of, you know, those sort of PST costs that they used to have embedded and all the different cost associated with running a business that are now stripped out. But remember, you were paying that. I would argue you were absolutely paying that. It was called what I call the invisible PST.

Believe me, when business is paying on their heat, on their power, on their vehicle, on their computers and all the things that they're purchasing, they were paying PST under the old PST system, they were passing that along to you, and believe me, in the final price. Now, people may think that some businesses were saying, we'll just eat all this ourselves. I can assure you they were passing that along. And so it is at least a theory. And I believe the theory sound, that when you strip out those cost in a competitive market economy that we live in where businesses are fighting everyday for, you know, market share and everything else, that they will pass along those savings they receive in the form of lower prices or new investment in their operation, hiring new staff, whatever it may be so they can go out and compete. And you know, I just think that's true.

But, [caller], having said that, we do recognize there is an additional cost on family. It was actually quantified in that independent panel report which again is available on [hstinbc.ca](http://hstinbc.ca). If people want to go to the website, [hstinbc.ca](http://hstinbc.ca). And the independent panel said look, for the average family, it costs about \$350 more per year. Absolutely true. And what we are doing with these listening exercises is saying to you, what can we do to minimize that? And what I think from your comment, [caller], is you'd like us to do something to minimize that additional cost and I've made a note of that. Thank you.

**Moderator:** Thanks, Minister. Now we have [caller] on the line, I hope, who is still on the line, who would like to talk about the HST and job creation. [Caller], are you there?

**Caller:** I'm here.

**Moderator:** Go ahead and ask your question.

**Caller:** Yes, Minister. We were originally misled by how many jobs the HST was going to create. Originally in my mind, it was over 100,000 high paying jobs. And now, your independent panel takes that number significantly less – about 75,000 jobs less. How can you account for the misleading numbers, Mr. Minister?

**Hon. Kevin Falcon:** Thank you, [caller]. It's a very legitimate question. So [caller] is referring to Jack Mintz who's an independent economist that did an evaluation of HST in BC and estimated that the job growth would be about 113,000 new jobs. The independent report out had a more conservative estimate of about 25,000 new jobs. Both of these groups by the way agree that they're high paying jobs.

But you know, as I said in question period, I was asked by the NDP – quite honestly, whether it's 25,000 new high paying jobs or 113,000 high paying jobs, any new job is really great for a family. You know, if you got a breadwinner, whether it's a mother or the dad or both out earning a good income or high income as a result of good tax policy, I think that's a win for us overall. But you know I could get into technical reasons. In fact, I just read an article that Jack Mintz had written about why he thinks that they've been too conservative, and he's got all these reasons about why. But look, all I will say as a Finance Minister is whether a low end of 25,000 new jobs or a high end of 113,000 new jobs, I want the new jobs in this province. I think they're good for families. I think they're good for generating revenues to us as a province, to support our social programs. We can't escape from the fact that in British Columbia has an aging population and a shrinking workforce. And those two things don't work well together. And we need to make sure that we have a tax economy that's competitive, that encourages investment, that create jobs that support, you know, the kind of social programs that we all care about. But I appreciate you raising that, [caller].

**Moderator:** Thanks, Minister. We now have the second of our feedback questions to get your feedback on the HST. I will read the question and answers twice. Again, select your answer by pressing a number on your keypad.

So here's the question.

If British Columbians chose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could take only one option to make up the revenue difference, which of these would you choose?

Here are 3 options:

Increase the PST rate, press 2.

Raise income taxes or other taxes, press 3.

Run larger deficits, press 4.

Let me read that one more time.

If British Columbians chose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could take only one option to make up the revenue difference, which of these

would you choose? There are 3 options. Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Run larger deficits, press 4.

And now we go to our next caller, [caller] has a question about the HST and customers and clients. [Caller], are you there?

**Caller:** Yes.

**Moderator:** Please go ahead.

**Caller:** Hello. I just want to mention that I'm a small business owner. We've owned a business for 25 years. The HST has been very, very positive for small business. Our bookkeeping is half what it used to be. Therefore, the cost for that has gone down. Yes, it has affected pricing for clients because we didn't have to raise our prices last year when it came in because we did have costs some go down. At this time, we are raising them a little bit because there's been some increases in other areas but that's the way it is for all business. Sometimes you do have to raise things a little bit, but not everything is being raised. And I feel as a small business owner that HST is the best thing that ever came in to help us – tremendous help with us.

**Hon. Kevin Falcon:** Thank you, [caller]. I appreciate that. You know, look. I think she raised one good point that I actually have mentioned before which is that, in addition, there's potentially price reduction that can happen as a result of eliminating what I called earlier the invisible PST that is on virtually most of the inputs that small business have, or large business to that matter. And that can result in price reduction. But it can also result in a reduction and price inflation, and you know, that's an important consideration, too, for us to think about. At the end of the day, way back when I first got elected in 2001, my first job was minister responsible for reducing red tape. And we committed to reducing red tape on small business by one-third in our first 3 years, and we exceeded that. We actually had a 42% reduction. But what I always remembered about the consultation I was doing then is that one of the biggest complaints I have from small business was the paperwork associated with having to do books on the PST and books on the GST and having to deal with auditors coming in from the federal government on the GST and then from the provincial government on the PST. And we, as a provincial government, of course you have to decide when you have your own separate sales tax, what it applies to and what it doesn't apply to. And that's where we go into the crazy situation where red raincoats have PST exemptions but yellow ones don't. And it just goes through this mind-numbing bureaucratic process. So all of that is gone now, and that's one of the big benefits for small business, for big business, is that you get rid of all that duplication and you now have a single harmonized tax. It's simpler. It covers goods and services. And it's largely a significant benefit for most small businesses. But you know, there are some that will feel differently. But for the most part, it's good overall. So thank you for that input, [caller].

**Moderator:** Thanks, Minister. And [caller] has a question about the HST and safety equipment. [Caller], are you there?

**Caller:** Yes, I am.



**Moderator:** Please go ahead.

**Caller:** Hi, my question is about bike helmets and hockey helmets and the things that children must have to stay safe. There is HST applied to that when you purchase it but you must have it in order for the child to be safe well. Skiing, skating, biking, is there something that we can do about that?

**Hon. Kevin Falcon:** Thank you, that's a really good point. As a former health minister I have to tell you that, you know, for sure when I used to hear people say well, why is that applying the bike helmets or the sales of bikes, etc.? You know, that's a tough one. Because we certainly want to be encouraging people to make the right decisions and we want them to buy bikes and we want them to wear helmets and all the rest of it. And there's no question that that additional 7% will now apply to those kind of purchases. But again, that's exactly why we're holding this listening exercise because we're looking at how we can recognize some of the things the public identifies as being a real concern to them. And it's all about recognizing, first, number one, there is additional cost to most families, not all. Some lower income people, the independent panel pointed out, are actually ahead of the game with the rebate. But for most people, there's an additional cost and this would be part of that additional cost. So your point is that government should understand there's an additional cost and some of those things, and you'd like to see some relief there. Your point is well taken. So thank you.

**Moderator:** Thanks, Minister. Question from [caller] who is asking about the HST on big-ticket items. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Well, go ahead and ask your question.

**Caller:** Thank you. The question I originally posted was a question regarding big-ticket items and the large purchases that consumers make, like the housing market kind. They were having a hard time in selling, you know, just regular homes. It's not new homes – and then after all the information was received, they put a ceiling on. Now we're going to charge HST on new homes over X amount of dollars. I'd forgotten about that point.

So the other part of my question was on the other items like vehicles. Would the government consider removing the HST on higher efficiency vehicles or family vehicles because they add a lot more expense to, you know, a long-term loan or something like that?

**Hon. Kevin Falcon:** Thank you, [caller]. So first of all, your last point first with respect to vehicles. The good news is for houses and majority vehicle you purchase, there is absolutely no change. But there is an improvement on the fact that we've gotten rid of the luxury sales tax that used to be there. That was a 3% luxury sales tax was introduced in the 1990 that applies to vehicles with the value of \$55,000 and over. So we eliminated that all together, and frankly a lot of new cars as [caller] would well know, you know you go buy a pick-up truck loaded and you're paying probably \$55,000 plus. So that reduces the cost for many automotive purchases. For the balance of them there will be no change because they used to have the PST and GST anyhow.



With respect to your comment about housing, it's interesting to note that housing starts in April posted at 23.5% higher in urban housing starts over March. So you know, for the most part, there appears to be not very much impact on the housing side. Now, that's not true in all markets, I can't guarantee that. But there might be some pockets in the province that have not, you know, seen the same growth. But I do know that building permits for example are up dramatically and many of our lower mainland community. So that is encouraging to me as a finance minister. And as I say for the vast majority of housing purchases, people are buying used homes or used condominiums, there is absolutely no HST that applies.

**Moderator:** Thanks, Minister. [Caller] has a question about the HST and food. [caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** So, Minister, I have no problem with the HST to be honest because we're not paying any different on our taxes than we did before with the GST and PST. But the only thing that I find – my husband is a senior. He gets \$20,000 a year. I've certainly never seen a cheque in this house for his HST ever. And the other question is that I don't understand – like, I work with families, poor families and stuff and I just don't understand why on chocolate bars, and I know they're not necessity, but things for little kids like chocolate bars and candy stuff, why do they have to pay HST on it? I just think that anything to do with food and stuff should not have HST.

**Hon. Kevin Falcon:** Okay, thanks a lot. Now, I have to tell you, I am a former health minister, so you're probably not going to like this part. But as a former health minister, the fact the junk food now attracts the PST portion, that doesn't concern me that greatly, to be honest, because I do think it's important. I would actually want people to make healthy food choices. But you know, again, I'm sure some people will disagree with me, but as a former health minister I really feel like I had to say that. But I do think, in fairness, we need to point out that – yes, on restaurant meals in particular, there is now an additional 7% that wasn't there before. And that's what happens when you harmonize. But I must say you know, the idea of relieving the additional cost on junk food is not necessarily one that I find really, really attractive as a former health minister.

**Moderator:** Thanks, Minister. [Caller] has a question about the HST and the federal government. [Caller], are you there?

**Caller:** Hello?

**Moderator:** Hello, [caller]. Please ask your question.

**Caller:** The thing about the new laws is the fact that eventually the federal government will be controlling them, and they will be raised again whichever whenever they feel like it. This has happened before. The fact also that we really were mislead really bothers me. Before the election we were told that this would not be and then all of the sudden, here we are in the middle of the big complex change. That's another thing. Thank you.

**Hon. Kevin Falcon:** Thank you, and thank you for that. Look, you certainly – we were really strongly criticized for that the way it was brought in. What I want you to know, and it's really important for me to let you know, that we never ever discussed it prior to the election. And I know a lot of people say, well too bad, we don't believe you. But you just need to hear that from me directly because it's important to me. I don't mind criticism for the public policy decisions that we made, and criticizing what we did, but I just cannot accept people that say it was something we knowingly knew about because it's simply not true.

Having said that, you raised a question about whether we've ceded control effectively on this tax policy to the federal government. The good news is, and the agreement we have with the federal government indicates, we have not. We have control all over the rate. So we can adjust the rate every year if we want to, up or down and that is clearly spelled out in the agreement. Now, we have to give notice that we're going to do it. But every July 1st we have the ability to adjust the rate.

We control the rebates. So we can make decisions about what rebates apply to, what the point of sale exemptions apply to, and that's why, for example it doesn't apply to the gasoline, that's why it doesn't apply the home heating fuel, the kind of things that we made a conscious position to ensure that it wasn't going to apply to. So we have not ceded that control. I would argue, in fact that in many ways, we have more control. The federal government, for example, can't make a change to what's covered under GST without consulting with us first. It's important that they have that discussion, and if it impacts us revenue-wise on any decision we make, they have to make up a difference to us under that agreement. So I think it's a very fair agreement.

I think it frankly eliminates the fact that we don't have to have 300 bureaucrats, at a cost of \$35 million a year, processing paperwork on a provincial sales tax. Those costs are all gone now for us as a province. And that provides an additional benefit to small businesses across the province. We no longer have \$150 million worth of compliance costs having to deal with a provincial sales tax, and all the paperwork, and the tax order that's associated with that. Plus a GST and all the paperwork and the auditors associated with that. So I think, on balance, we're far, far ahead and we have not ceded control in my view at all.

**Moderator:** Thanks, Minister. We just like to say to all our participants tonight that we have hit the 15-minute mark left on this call. We won't be able to get through all of the questions but we do welcome you to stay on the line to provide feedback at the end of this call. And also there is a survey which we invite you to comment on at [hstinbc.ca](http://hstinbc.ca). So now we'll go to [caller] who has a question about the HST and the restaurant industry. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Hello?

**Moderator:** Hello, yes.

**Caller:** I know there has been talk about the effect on the restaurant industry as far as reduced income for them. But as a mother of two teenagers whose source of income is working in a restaurant, they have had their hours cut back substantially and it is only going to get worse with the increase in the minimum wage, which you think will help them earn more money but it will not offset the hours that have been reduced. So we are being promised here by the study that there will be high quality job that will come by 2020 with the HST. What happens to our youth who rely on restaurant jobs that are being devastated because of this tax?

**Hon. Kevin Falcon:** Yeah, and thank you, [caller] for the question. So first of all, you know, the industry lobby group for the restaurant association has really said that this has kind of a devastating for the industry, etc. And look, I don't want to pretend that there is not any impact. But you know, the great cities of the world, London, Paris, Rome, they all have value added taxes which in fact are far higher. We have the lowest HST in the country right here in BC. And all these countries I just mentioned all have value added taxes which are much higher, frankly, than we have here in British Columbia and yet nobody says that Paris doesn't have a pretty outstanding restaurant sector. In fact they're famous. Same with London, same with all these other cities. It's not to say there are not impacts, but I think we have to be a little careful in, you know, saying it's going to be devastating because I just don't accept that.

I have lots of people – I just met with some people in the restaurant industry today that actually said to me, Minister, as far as HST is concerned, we frankly don't think that's having almost any impact on our business. The decision government made with respect to .05 having increased penalties for drinking and driving, it had far more impact on the restaurant sector than HST has. So you know, I do think that we just have to be relatively realistic about this. The independent panel pointed out that from June 2010 to January 2011, that six month period. So you know, remember July 1st, 2010 is when HST was brought in. During that period, overall industry sales increased by about 3% in both BC and in all of Canada. The employment staff and the accommodation and food services industry indicate there are 8,600 more jobs in the sector today than there were in July 2010. So that's you know, the hotel and the restaurant sector according to Stats Canada. So that doesn't mean that there are not restaurants that have been impacted, there certainly have been and they're out there. But I just think we have to take a look at it with a grain of salt, you know, at some of this sort of the real dire predictions about the end of the restaurant business as we know it. There is an HST in Ontario, there's an HST in Quebec. There's an HST in the Atlantic provinces. Over half the provinces have harmonized sales taxes and they still have thriving restaurant industries, last I checked.

**Moderator:** Thanks, Minister. We have a number of callers tonight asking and people who are waiting to ask out questions on the HST and how it impacts seniors. So [caller], if you're on the line can you go ahead and ask your question to the minister?

**Caller:** Thank you, thank you, Minister. I'm a senior and I want to say that the HST had no impact on our lifestyle. I think the cry about it having a big impact on people with fixed incomes is a bit of a red herring. Now, I'm also very much involved as a volunteer income tax preparer, and I prepare many scores of income tax for seniors. And when I voice out to them that the refunds they get on lower income through the HST is higher than it was before, they are startled and surprised. And when I explain it to them, they

say they change their mind about the HST if that's true. But I show it to them, and they're surprised that this is true.

So my question is this, how can the current government clearly communicate to thousands of seniors on lower income that they are going to get a bigger refund under the HST than they would under the old system? If that can be clearly communicated, there're going to be thousands of seniors who will change their minds about the value of the HST. I think it's a great tax. It's the right tax for the current age. And as a senior and fixed income, I fully support your move to introduce it. How will you communicate this clearly to the thousands of seniors in this province?

**Hon. Kevin Falcon:** And it's an important, very important question because one of the things that I've said is that we have an obligation – in fact, a responsibility I would argue – about getting basic factual information out to the public with respect to HST. I've stated that publicly. I've stated that we are going to be doing that, you know, when the opposition have criticized us for doing that. I make no apologies for it because I can tell you this as a Finance Minister. What you said, [caller], is really important to me. I do not want to have any seniors or, you know, low income individuals come to me after a vote – if in the referendum vote, the public decides to vote down HST – I don't want to have people coming to me after the fact saying I didn't realize when I did that, that it was going to impact me personally and financially. I don't want that senior that's receiving \$230 a year to cover HST, in fact, to come back and say I didn't realize I was voting away the \$230. I don't want that single mother with 3 kids, that I talked about earlier in the call, that today is receiving \$920 of HST rebate. That is just from the province. That is not what they get. She also gets another \$905 of GST. This is added to that. And it's important for me at least, as a Finance Minister, to know that the public, when they make their choice, are making an informed choice.

And one of the legitimate criticisms I have heard over and over about us as government, is people keep saying, would you explain this kind of facts to us so that at least we're making an informed decision? I've made the commitment to do that. I've also said that the cost of explaining that, because we're going to have to spend money to make sure that people know this, I'm going to publicly disclose what that cost is going to be. But I make no apologies for the fact that I'm going to make sure, as you pointed out [caller], that those seniors know that they are receiving an HST rebate today that could disappear tomorrow if they make a choice to vote it down. And that's still, it did not mean it is not a legitimate choice for people to say, well, you know what? I don't care. I still want to go back to the PST plus GST system. That is a legitimate choice for people to make. I just want to make sure that they understand the pros and the cons of their decision, and we will do that. So thank you for that comment and stay tuned for that because I will be announcing that shortly.

**Moderator:** Thanks, Minister. We're going to take one last question from our listeners. [Caller] has a question about the HST and the middle class family. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** I have a question in regards to the middle class family. It seems that the lower income are getting subsidies. But what is the cost to the middle class family? I have to pay on top of my kids' school supplies – I now have to pay HST. I have to pay HST on instruments, I have to pay HST on food. And you stated that it's just on junk food. But in fact, it's on a lot more than that. It was a total of \$18 on my last grocery bill. So I'd like to know how it is that the government can say to the middle class family that this is a good tax for us, when it's costing us far more, especially in this extremely insane economic system we are in right now. So how are we to afford to feed our family, to raise our kids and to pay our bills?

**Hon. Kevin Falcon:** Well, thank you, [caller]. So look, that's exactly why we're having these conversations, to try and see what can we do, recognizing that harmonizing the PST plus the GST resulted in some additional costs to families. The independent panel report, as I pointed out, said on average it's about \$350 a year in additional costs. What can we do to try and minimize or eliminate that additional cost? That's why we're going through this exercise. So I very much appreciate what you're saying about that. The reason why sometimes there's HST when you do grocery shopping is that basic groceries are exempt as they were under GST. So when GST does not apply to basic grocery, neither does the HST. But it's always applied – you're still going to be paying it on things that are not basic grocery. If you're buying paper products, or brooms, mops, you know, those kinds of things. Maybe if you're buying packaged food, for example, like a sushi takeaway kind of thing, those things that always had GST that applied to them will also have HST applied to them. So that's maybe why there's some confusion when you think it always applies. It's not applying to basic groceries, just so you know.

But I don't want to pretend that it doesn't have additional cost because it does. Now, I would argue and again, we've made the point that the reason we did that, and why we're going to take some of the hits, for the fact that 80% of consumer spending does not change. In other words, you still got  $7+5=12$  in 80% of consumer spending that hasn't changed when you go buy your TV or you go buy clothes in a store. Most of your retail spending has not changed one bit. But we recognize that on 20% of consumer spending, there is now that additional 7%. So we're trying to be very upfront about that. And the reason why we're having this listening exercise, to say, how can we try and mitigate that or eliminate that? And I think what you're saying is, Minister, I understand it's a cost and I want you to mitigate it. And I accept that message, [caller], and we're going to take that back and look at how we can do that. So thank you for that question.

**Moderator:** Thanks, Minister. We've taken our last call for tonight. But I do urge you to stay on the line after we're finished here. You will be able to leave the message for government with your thoughts or questions about HST. But right now, I like to ask the Minister to make any final comments.

**Hon. Kevin Falcon:** Great. Well, first of all. I want to thank all of you for joining us here and having 24,000 people participate on this telephone town hall. It's truly exceptional. And I really appreciate you folks were taking whatever time you've taken to listen in and for those of you that have questions, to ask questions. I tried to get through as many as I possibly could. I think what I can tell you is the essential thing I often hear is, you know, folks are saying look, there is an additional impact on us, and we want you, government, to understand that additional impact. You know, as I pointed out earlier, I think it's important in government. I ran for public office, as did most of my colleagues, to actually reduce the

burden on people. That's why personal income taxes have dropped by 37%. That's why we steadily reduced the business tax rate and the small business tax rate to where we got some of the most competitive taxes in Canada. It's why, if you look at our overall tax burden, whether you throw in other costs, whether it's property tax, income tax, as well as HST, you lump it all in together and you will see that British Columbia – compared to the other provinces – has the second lowest overall tax in the country. Alberta just edges us out. So I think that that doesn't mean we can't do better, and it's why we're having this listening exercise and why we're looking at ways that we can improve the HST, improve it such a manner that we keep what, at the end of the day, we really strongly believe is good public policy that will create a minimum of 24,000 new higher paying jobs, create a stronger economy, grow the economy – which will generate increased revenue to support healthcare, education and the kind of things that the public care about. So thank you so much for participating. Thank you for your questions. Thank you for your input. And we'll take that back, and we'll be reporting back to you all shortly in a very public way about how we might make some changes to try and improve HST. I appreciate the time you've all taken.

**Moderator:** I mentioned earlier, if you didn't get a chance to speak to the Minister tonight, you still have an opportunity to have your say on the HST. Just stay on the line when the call is finished. You'll hear a prompt and then you'll be able to leave a message. Thank you to everyone for participating tonight and thank you, Minister. I'll now formally close this town hall. Goodnight.

## MAY 4, 2011 - KOOTENAY TELEPHONE TOWN HALL

Host: Minister of Transportation Infrastructure, the Honourable Blair Lekstrom

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
63,659	28,171	17,316	16	61	190	23

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the third of eleven regional town halls conducted by Government with British Columbians.

Minister Lekstrom responded to 23 questions and/or comments during this call. Issues that arose from citizens of the Kootenay region included the following:

- Interest in reducing the HST by 1 per cent; confusion over the need for so many taxes;
- Concern about HST on travel expenses, haircuts, grocery items, adult-sized children's clothing; property, new housing, restaurant meals;
- Concern over the lack of consultation on the HST; cost of referendum process for the HST;
- Impact of HST on people with low income or making minimum wage, seniors or those on a pension; impact on young families trying to buy a house, use daycare and get ahead;
- Interest in how it will work to transition back to the GST and PST; how government will pay back what it accepted under the HST.

### Questions/Comments to Minister

*"For us, the simplification was a huge advantage. It did cost money to convert in our accounting software and our point-of-sale equipment. If we have to go back to a multi tier task, within 3 years of spending all this money, you're going to give us a great deal of expense."*

*"I'm quite upset that you're putting the tax burden on the middle class and taking taxes off businesses. Businesses have not passed on savings in the past and they won't in the future".*

*"I'm a bookkeeper and I'm seeing my restaurants seeing a decrease in people, average families being able to go out to make that actual purchase. This is a huge factor for our region."*

*"I'm happy to pay the HST. I think that it's great that you're doing this, and I'm happy to shoulder my responsibilities with these taxes. I think we enjoy an excellent lifestyle here."*

*"What are you going to do for the seniors in this province, and people can't afford this stuff?"*

### Stats to come from Campaign Research on question types



## KOOTENAY TELEPHONE TOWN HALL SUMMARY

Date: May 4, 2011

Host: Minister of Transportation Infrastructure, the Honourable Blair Lekstrom

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**May 4, 2011 Transcript: Kootenay Telephone Town Hall**

**Moderator:** Hello. Thank you for joining HST Town hall with BC's Transportation and Infrastructure Minister, the Honourable Blair Lekstrom. My name is Sarah and I'll be your moderator for this call.

Before we begin, I'd like to review how this call will operate. The minister will begin with some short comments and then will proceed to a live question and answer period. If you want to ask a question, please press star 3 on your keypad at anytime. Please note that this call is being recorded and will be transcribed. If you don't want your comments to be transcribed, please remain in listening mode. So that we can hear as many questions as possible, we asked that you keep your question short and to the point.

When you press star 3, an operator will ask you a few questions including your first name. You'll then be put in to the queue to ask your question. We want to hear a wide variety of questions. The operator will try to reduce the duplication. When you hear me announce your name, your line will be opened and you can ask the minister your question. After you've asked your question, your line will be muted so the minister can respond and you will be returned to the listening mode. To ensure the minister hears as many views as possible, we won't have time for additional questions. Please use polite language. Anyone using profane or offensive language will be cut off.

Later on the call, you'll be able to provide your feedback on the HST by answering a couple of multiple choice questions. This is an opportunity for the government to hear your opinion on some key questions about the HST. Thank you for your patience. We may not get to everyone who has a question tonight but there will be an opportunity at the end of the call to leave your comments in the recorded message. Again, please press star 3 on your keypad at anytime to ask a question. I'd now like to turn this call over to Minister Lekstrom for his opening comment. Minister, please go ahead.

**Hon. Blair Lekstrom:** Well. Thank you very much and good evening everyone. I want to start by thanking you for taking time out of. I'm sure it's a busy life for everybody out there. This is a great opportunity. This is the second telephone town hall meeting I've had the opportunity to do. Going into the first one, I wasn't sure what to expect. We did it for the Peace Country, which is my home. And it was incredible. The amount of people that participated; the questions that came forward. And really, the primary thing I heard on the call and when I went back home was that people were very thankful that they have the opportunity to participate.

Now, having said that, you know, it's interesting. My preference would have been that we started this process 18 months ago to deal with this issue. Unfortunately, we didn't. The people of British Columbia spoke very loudly and very clearly quickly after the decision was made by government to go to the HST that in such a major tax policy shift they wanted to have input. They wanted to be engaged in the dialogue with the government and I wholeheartedly agreed with them. I'm proud to say that, you know, our government has listened in and this is not a result of government giving the people to vote on this issue, the people of British Columbia earned that right. And I think they can only be very proud of themselves. They made history not just in British Columbia but really across the country by showing that

if people take the initiative to engage with their government. They have that ability and this has come through in space.

Tonight, we are hoping to hear from you on ideas that you have. Everybody has an opinion on the HST, I think for the most part. What we would like to hear if this tax was to be kept; how could it be improved. And that really is the genesis of what we're going to discuss tonight and I'm looking forward to hearing that.

There are information packages that will be mailed out to every household in British Columbia. It will not just be a mail or package from the government that says here is what we think of the HST and why you should support it. It will include both sides of this equation. It will have information from the opponents of the HST talking about why they don't believe the tax we're keeping in British Columbia and it will include the other side. As I stated earlier, I think everybody has an opinion on this. The key issue for me and my colleagues is to ensure that people have an informed opinion. And then, when the vote is taken, the government has already committed to fully respect the wishes of the people of British Columbia on that vote through a simple majority and I'm looking forward to the dialogue we're going to have tonight.

It was stated, that if you don't get the opportunity to ask your question tonight, you can stay on the line. You can actually go on to [www.hstinbc.ca](http://www.hstinbc.ca). You can put your questions before there. There's also feedback on this call to let us know whether it's working well or not and we will go from there. So, with that, I'm not going to take up a great deal of more time. My goal tonight is to listen and hear from you.

I do want to mention that my colleagues Bill Bennett from Kootenay East. He's here with me this evening listening on the call. Bill has done a great deal of work on this as well. And like everything he does, he is passionate about the work he puts in. So, I want to thank Bill for being here this evening as well. With that, let's pass it over and we'll begin the process

**Moderator:** Thank you Minister. I'd like to remind everyone that if you want to ask a question, please press star 3 at anytime on your keypad. People are queuing to ask you a question. Let me start up by asking one that I'm sure many of them are wondering about. Why that the province choose to hold the HST referendum using a mail-in ballot? And, when can people expect to receive their ballot?

**Hon. Blair Lekstrom:** Well, that's a very good question. I mean, the decision was based I think primarily on the ability to ensure as many British Columbians get the opportunity to vote as possible. As I stated earlier, they earned that right as well. The primary issue is this will save British Columbia taxpayers about 18 million dollars which is a very significant amount of money when we looked at this.

There some key dates that we have. The forms will start going out in the mail out the week of June 13th. It should have been received at all homes by June 24th. It allows people to take the information that they gathered through the discussions here tonight or through their own investigation of this tax, to digest it, to talk to their friends and family about it, and then cast their ballot and mail it back. It does have to be back into Elections BC by no later than July 22nd. It has to be there. It can't be mailed on July 22nd. By law, it has to be on the hands of the Elections BC office by July 22nd.

**Moderator:** Minister, thank you for that. We're going to go to a listener call now. [Caller] has a question about the HST and whether or not it can be abolished? [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** [Caller], please go ahead.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hello. I met you before when you were at the Hill Crescent.

**Hon. Blair Lekstrom:** How're you doing?

**Caller:** I'm doing not too bad. [removed]. I just came back from a conference in Vancouver, which of course we drive to Kelowna, then fly, then have to stay at the hotel. And I would guess considerably. I use that word very loosely, that it cost me an extra \$150 in HST in meals, taxis, parking at the airport. And this is very expensive for somebody who lives on a pension. I'm [a senior]. All I have is my school trustee and my old age pension. So, you know, it's very, very expensive. And eating in restaurants now is just absolutely unbelievable, the extra cost. I have a \$100 meal with 3 people and it cost an extra 10 bucks.

**Hon. Blair Lekstrom:** All right.

**Caller:** And I don't want to...

**Hon. Blair Lekstrom:** All right. I'll try and address a couple of the issues you bring [caller]. There's no doubt. We won't sidestep the question, is there a thing that we're going to spend some more dollars on as individuals? Most definitely.

You talked briefly about your hotel. You know, one of the things, and hopefully what we get through not only tonight, is the ability to have a dialogue. But if we go toward this referendum vote, the hotel taxes will actually down by 1%. So, there is a misconception now. I don't know if they raised their prices, for example.

Air fares, you know, I can certainly agree with you there. I fly out to the north and it's significant. But the way this tax works, you mentioned as well a \$100 meal. There would be an increase of \$7 on that, the way the HST is set up now. So, there is some information out there. Again, I'm not here to convince you to vote for it or against it. Hopefully, to put the information in people's hands. And sometimes it is different than what we've heard out there.

80% of our consumer spending in British Columbia is not affected by this. The tax affects 20% of our consumer spending and it's only a 7% addition on that 20%. I know it gets confusing when we start talking about 7% of 20 and so on. But at the end of the day, you and I will spend a few more dollars on some issues. There's no HST on basic groceries as well. [Caller], I know a lot of people, I think, that thought that this was a new tax going to that. There are groceries in our store today that have the GST on them. Those are impacted, but very few. I wouldn't say a great deal of items within our grocery

stores are HST applicable. Hopefully, I've answered that caller certainly to the best of my ability. If we can get one thing through tonight, and that's through a question like you've just raised, it is to make sure that as we move forward we understand if it is HST, an increase is a result to that. We can recognize it. Sometimes it's just the price of other things is going up, so. Thanks, [caller].

**Moderator:** Thanks Minister. We have a call from [caller]. She wants to make a comment about not agreeing with the HST and what's up for the government next. [Caller], are you on the line? Are you there? We may have lost [caller]. Well, [caller], if you want to dial back in we'll get to your question next. [caller] is on the line and she wants to talk to you about improving the HST. [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please say hi.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Minister, there has been talk around reducing the HST by 1%. How does the government do this as an improvement? Because in reality, when you say it's only a \$7 increase on a meal for a \$100, that \$7 might be an increase for the cost of paying the bill. But that's also a decrease of the wage to a server that would have got a tip because someone is not leaving a tip because they've been impacted by that \$7. So, how about reducing it by 1%? Would that actually improve the tax?

**Hon. Blair Lekstrom:** All right. Thanks, [caller]. That was an issue a number of people who brought up, how do we improve it? Can you lower it by 1 point or 1% or 2%? I guess the whole issue around that is how do you lessen the impact on families in British Columbia? Because as I said earlier, there is an impact.

But the key issue is I guess I'm a believer that the HST is a very competitive tax. I think it helps our jurisdiction compete not only with the other provinces in our country or North America. But whether we like it or not, and that's a discussion that goes on as well, we live in this globally competitive environment and we have to fight to get capital invested here. So, you know, how does it help? I mean, every time we have the opportunity to pay less tax it is nice but you also, I think, first and foremost, have to have a job so that you have the ability to get out there and take your family whether it would be out for dinner to the movie or whatever.

So, when people are working, they've got money to spend and when they're not, it's much harder. I don't disagree that this tax has some impact on you and I as individuals. Probably, the most important thing that I spoke about, going back to when I had the opportunity to serve as the Mayor of Dawson Creek, is that governments don't create jobs. They create an environment where the private sector wants to invest their capital and that's who creates the jobs for you and me. So, when we compete like we do, if we're not competitive, we won't have the opportunities for our families. And I think we all want the same thing, which is, opportunities for ourselves and our children growing up. And certainly, if they want to stay in the region once they grow up, that's the opportunity we want for them. Although, if

the HST was able to be lowered by 1% at point, instead of paying \$7 on that \$100 meal for our family, we would pay an additional 6.

One highlight: we raised minimum wage for any of the people that are out there that were earning the smaller wage. I think that's positive. The one thing [caller] said, and I encourage people to do when I get the opportunity at home more so than anywhere else in the province: when we look at a 1% drop, that's about an \$800 million hit to the provincial treasury, it means we collect about \$800 million less. If we're to do that, where do we make that money up? Are there ideas? And I always encourage people to have a look at the budget. It's online if they can or just put their ideas forward. Hopefully, I've done a better justice on that question, [caller]. But a tax is a tax. And then, whether you pay 3%, 5%, it is a tax out of our pocket which I do want to point out will go to pay for our healthcare and education and social programs and so much more that you and I, I think, rightfully want and deserve here.

**Moderator:** Thank you, Minister. We're going to go to a call from [caller]. And he wants to know why we need to have a provincial HST? Why can't we be more like Alberta? [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Will you please go ahead?

**Caller:** Yes, that was my question. Why do we need the provincial tax portion on for the HST, period? You know, I've listened to that, you know, we do need it. But, as far as revenues coming from resource bases, getting pretty close to what Alberta is doing? Or, am I reading it wrong?

**Hon. Blair Lekstrom:** All right. Well, [caller], thanks for the question. I think you might be reading that wrong. I mean, the reason we need the tax whether it'd be a PST format, GST or an HST is to pay for the services that we actually deliver in British Columbia. In fact today, [caller], we actually deliver and pay for more services that the money we actually bring in, that's why we're in a deficit situation. What that means is that, you know, our children – I'm not sure if you have children, [caller], but I do and I think many people do are going to be on the hook to pay for much of our overspending today. I don't think that's fair to them.

So, our goal is to get back to a balanced budget. But we spend our money, we run about – it's a \$41.9 billion budget this year. And the fact is we aren't bringing in \$41.9 billion to pay for all of that. Presently, [caller], 42% of our spending goes to health care, 17% goes to other many things combined. But 27% goes to education, 8% goes to social services, and 6 % goes to interest on our debt. So, I would love to think that we could go without a sales tax of any kind. But the reality is when you take billions of dollars out, there's only one option and that would be to cut services.

I'll speak to the oil and gas side of that. Primarily, I think most people look to that when they talk about resource comparison between BC and Alberta. Gosh! Alberta certainly outstrips us, not just because they are far more developed. You know, in a good year, we may punch 1,100 or 1,200 wells in British Columbia. On a good year, Alberta may punch 20,000.

**Moderator:** Thanks minister. We're going to go to a call from [caller]. He wants to know why we pushed ahead with the HST and why people were consulted. [Caller], are you on the line?

**Caller:** Yes. I'm here.

**Moderator:** Can you hear me there? Please go ahead

**Caller:** Yes.

**Moderator:** It's...

**Caller:** Yeah.

**Hon. Blair Lekstrom:** Hi. Go ahead

**Caller:** Why is it the government would like to push things through without consulting the people that vote for them? Why. You know, for something that's important like that, the people should have a right to say either yes or no. And they don't give us that right. And that's not right.

**Hon. Blair Lekstrom:** Well, [caller]. I agree with you. And that's why we are actually listening here tonight. I said earlier, I'm not sure if you were on the phone earlier, I wish this would have begun 18 months ago. I don't believe the government, when they made the decisions to go to the HST, made it in a malicious manner. It was shortly after the election. We came back. The revenue projections were well down. Even people say how I can change so quickly in that shorter time frame.

I'll give you an example. For every \$1 that natural gas drops in price, it affects the provincial treasury for example by about \$300 million. Today, we're probably in the 440 range. So, you can see just in that one example how quickly we lost. But there is no excuse for our government not going out and engaging as I said. I think the decision was made with the best of intentions for British Columbia being caught up in a global economic meltdown and governments not just in British Columbia but around the world trying to do the best of they could, I think what was forgotten, to be honest with you [caller], is that the engagement of the public has to rank right up there.

I always say that it doesn't matter how good of an idea government has if you don't go out and engage and talk to the public about that idea, it's not a good idea and I think the government, it's fair to say, learned a valuable lesson. Not just in British Columbia. I know governments across the country have been watching how this unfolded. And to be here tonight on this telephone town hall, I think it's a great example of saying, you know what, government made a mistake by not going out and engaging you. We're doing that now. You've earned the right to have this venue and we're going to make sure everybody gets the right information and cast their vote however they think is in their best interest.

**Moderator:** Thank you Minister. We have a call from [caller]. He's a small business and he is wondering about whether or not there will be a compensation if we reverted to the PST because he spend some money converting his machinery overtakes at HST. [Caller], are you on the line? Please go ahead.

**Caller:** Yes, ma'am.

**Moderator:** Please go ahead.

**Caller:** Hello.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hi, Minister. I'll take the opposite side. For us, the simplification was a huge advantage. It did cost money to convert in our accounting software and our point-of-sale equipment. If we have to go back to a multi peer task, you know, essentially within 3 years of spending all this money, you're going to put us with the great deal of expense and having to run another accounting system, more accountants, less production. Is there going to be any break for us, you know, if this goes ahead?

**Hon. Blair Lekstrom:** You know, [caller], at this point, no. I mean, I don't want to mislead you and say gosh, there's a plan in place that if it goes back to the PST/GST that there will be the ability to reimburse business that converted and spent time and money. I know exactly what you're saying. And I concur. I think this is a good tax. And I'm a believer in this. I think it was certainly an emotional issue that when this was presented to the public, they reacted and reacted very strongly – and rightfully so. I'm a believer, that today with the information that's going out, that people will see the benefit of this and allowing us to be competitive for that private sector dollar that creates the jobs for you and I. But, you know, [caller], I want to state again I don't want to mislead you and say that there's a plan in place at all. There isn't on that. And that is certainly a negative side should the public go back to the PST/GST system. Thanks, [caller]

**Moderator:** Thanks, Minister. Minister, we're going to go to [caller]. He has a question about leaving the HST and removing the carbon tax. [Caller], are you on the line?

**Caller:** Hi. Yes, I am.

**Moderator:** Please go ahead.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Yeah. Hi. The HST doesn't bother me so much. But I think what hit us harder than the HST is this Carbon Tax that hits us with our home heating, with our gas, the food prices because our food transportation costing them more. And I don't see any benefit to the carbon tax. That Carbon Tax hits me harder than the HST ever thought of doing. And I mean, if it comes down to it, I'll stop going out to dinner, to a movie because I need to heat my house and put gas in my vehicle.

**Hon. Blair Lekstrom:** Okay, [caller]. Yeah, right now. There is no contemplation that the Carbon Tax will be eliminated. But what we're doing is obviously. What I heard from you is, you know, saying look, I think the HST will work. The one thing that I think may not make the HST better but might make things better in British Columbia is to re-evaluate the Carbon Tax. The exact reason we're on this call tonight is to hear ideas from the people of British Columbia which I think it's why we're elected to begin with. So, [caller], I'll take that. I'll ensure that it is put in to the mix. But again, right now, I can't tell you tonight that, you know, government contemplating changing the carbon tax. We did actually though, and I want



to put this out on the HST; we excepted motor fuels which the only jurisdiction that has an HST in the country to do that. We're allowed to exempt up to 5% of the effective revenue from the HST. And one of the key issues that we've done and one of the major parts that inside up is the exception of fuel. We've also exempted home heating fuels. There's a rebate that goes there as well as our home electrical made as well. I'm trying to make up some of that, but the Carbon Tax. I live in Northern British Columbia; I think it's probably similar in many rural areas. It created some challenges for people. And, you know, one the things tonight, I want to say thank. I mean, the ideas that we're here tonight just because they may not be directly related to the HST. I can tell you are going on a number of years. So, thanks.

**Moderator:** Thanks, Minister. We got a call from [caller]. [Caller] is interested in what the HST is doing for the province in general. [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** [Caller], go ahead.

**Caller:** Yeah. It just frustrates me that we have to pay so many taxes and we, you know, it's like hard enough to live in general because our minimum wage is \$8 an hour. You know we're doing what we have to do but what exactly are you doing for us? It just doesn't really make sense to me. Like I'm only 26 years old and I'm just kind of trying to get into the whole understanding. And I'm proud to be Canadian but at the same time, it's like, you know, it's like we, it's frustrating because I don't really know what exactly we're supposed to be doing. It's, you know, what I'm trying to say, like, we get put on the status that like.

**Hon. Blair Lekstrom:** No. I'll do my best here. I think you raised a good point because I think you show the concern of many. I do want to point out [caller] a couple of things. You talked about the \$8 minimum wage. Good news, maybe you have heard we raised that. Actually I think it was last Sunday. It went up in its first increment. It is now \$8.75. It's on its way to \$10.25 within the next, I believe, 12 months, 18 months in that range by 2012. So, we're going from the \$8 minimum wage up to \$10.25. As I said last week, we raised it to \$8.75, and that's good news.

Today, under the HST system, low income British Columbians actually received a check that goes out to them which is – we have about 1.1 million low income British Columbian that receive a credit cheque. The credit is \$230 per family member based on a family income that makes up to \$25,000. And there's actually a different number there, whether you're an individual, whether you're a couple, or a family of 4 or 5 – that number changes. But people are better off. I think that's a little known fact that many people who are receiving this \$230 cheque are based on what their income is wouldn't receive that if we go back to the PST/HST.

Now, some people are saying you're trying to scare it. That's just the reality. The GST cheque will still be there for you, but the HST cheque is far more inclined to make people happy because it's a higher amount. The other thing [caller] that we have and I will point this out: I've been involved now for 10 years in this position. Prior to that, I served as a mayor of Dawson Creek. We paid the lowest personal income tax in all of Canada today for all people that actually earn up to \$118,000 of income, \$119,000.



We have people on low income. I believe a \$20,000 threshold. There's no provincial income tax now. We've eliminated that. So, things are going pretty well now. In British Columbia, we have a lot of good services and I'll just reiterate. We spend our money, you know, in services. That's the difference. Many people say you're a big business. You have to operate that way. We turned to our shareholder, which is all British Columbians. It's not in money. It's in the service that we provide. 42% of spending goes to health care, 27% goes to education, 8% goes to social services, 6% goes to the interest and debts and that leaves 17% to go to every other ministry to deliver the programs that we have. You know, there's always room to improve. But we live in a pretty good spot with some pretty good services. The challenge here is to take a great deal of money to deliver those services. Thanks [caller] for your question.

**Moderator:** Thanks, Minister. We've got a question from [caller] who is interested in how the government is going to help families with one income. [Caller], are you on the line?

**Caller:** I am.

**Moderator:** Please go ahead.

**Caller:** Yes. We - My husband and I, we just recently had a baby and it's expensive you know to live in this province and buy a house. And HST had really affected house prices. And you know, right now, we're living on my husband's income and you know everything kind of went up with HST, day care went up, food went up, gas. It just feels like, you know, we'll never be able to afford the house, especially with this extra tax on it. And then on top of it, I've just - I was hoping, you know, if it gets passed through, you know, because obviously I truly believe the government did make a mistake. They do need to listen to us and I'm glad to hear that, you know, the government is apologizing for that and they want to move forward with this phone town hall. And so, if it does get passed through, is there a contemplation or is there stuff on the table to talk about long term HST and how they'll help families moving to the housing market because it is very a steeply price rate now for a one income family.

**Hon. Blair Lekstrom:** All right, [caller]. That's a great question. Thank you for it. The whole idea of what we're doing tonight - and as we go through the town hall meeting is to hear from people on what they think will make it better. And as I said earlier, if the HST - if the people of British Columbia say we're going to keep it, we always want to look at ways to improve it for the people of British Columbia. You mentioned a couple of things and hopefully, I'm going to give you some information that will be good news for you.

You mentioned the increase in gas prices is significant; if you're referring to fuel oil for our vehicle, we have actually exempted it to HST. There's no HST on our fuels. So, that helps. And that eats up a lot of revenue under the 5% rule that we operate under. You mentioned home. The HST doesn't impact a home until it reaches a value of over \$525,000. So for people that are purchasing a home, if they purchased them up to \$525,000, the HST has no impact on them. There's a rebate program that's in place that deals with that. So, that makes a break even. I know certainly in the lower mainland - I live in Dawson Creek - \$525,000 is certainly not your average price of house up there. It is substantial but it's nowhere near that.

But there are some good things. I think the key issue for us is that the HST allows us to be competitive with other jurisdictions around the world, so that we do have jobs. Also, I'm not sure what your income is, [caller]. But we do have the issue of the rebate cheque. I touched that matter earlier. So, a family of two for example based on their income if they were earning for the sake of the number \$25,000, they would qualify for the HST credit check of \$230 each. And then, it goes on a declining scale from there. So, if you are more than that, you wouldn't get the full \$230 each.

But there are a lot of good things. I think that the idea that we're listening to the people tonight, as we said, is something that were supposed to do, that's what governments do. I'm happy to say that I don't hear people side stepping this. The way we rolled out the HST originally was a blunder. It was a mistake. And having learnt from it, I always judge government on the ability to admit that they made a mistake and trying to correct that. I guess better late than never. As I said, I wish this program would have begun 18 months ago with engaging. It didn't. We're doing that today. And we're going to ensure that everybody has the information they need and will have the chance to cast their ballots. So, thanks [caller].

**Moderator:** Minister, thank you for that. It's taking some time for us to call all of the households this evening. And we already have more than 15,000 people participating. So, Minister, I wonder if you could take a minute to restate some of your opening comment to make sure that all of our participants have heard your opening address. Minister, could you go ahead?

**Hon. Blair Lekstrom:** All right. Well, thank you and welcome to everybody who wasn't here when we began. I want to thank you for taking time out of your evening. Hopefully the sun is shining on you, and the snow has melted. And you want to get out in your yard. I know at home, that's what they're doing. I want to start by saying my colleague, Bill Bennett is with me as well on the call this evening. So I want to thank you, Bill.

What we're doing this evening is hearing from you. The primary focus is to hear from British Columbians about the HST. It's determined by you. The British Columbians that have earned the right to have their vote on that; the side that wants to keep the HST, how that can be made better. What can we do? So we want to hear from you.

There are some key dates as we go forward. The week of June 13th, the ballots will be mailed out to every home in British Columbia. You should have received them by June 24th, to every household. They do have to be returned by July 22nd to Elections BC. And when I say that, they have to be in the office of Elections BC by July 22nd. So don't mail them that late. Make sure you get them back in before that.

There's also a mail-out that's going out to every household in British Columbia that will include information from both sides of this equation. You will have information on the pro side of why the HST should be maintained. It will have information from the people that do not want to keep the HST, to ensure that it's balanced. And I said earlier, and I'm sure there are many people that are on the call still. Everybody had an opinion on this. It became a very emotional issue to begin with the way it was rolled out – and understandably so. The people of British Columbia spoke very loudly and very clearly that on a major tax policy shift like this, they expected government to engage them. I don't think there was any

malicious intent whatsoever by the government when they made the decision. This government, like all others around the world, was in the middle of this global economic meltdown. They made the decision that they believed was in the best interest to British Columbians to remain competitive.

The primary issue that they forgot was to bring the public that they represent the law. And I was part of that decision. And I don't sidestep to that issue. I've always thought the tax was a fair tax. The issue I have obviously, going back to last June when I made the decision that I did, was the unwillingness to go and engage the public. I'm happy that the government has recognized that this is the proper way to go. And I will put our website here shortly that you can go to and gain information.

The key issue for me is that everybody has an opinion. I'm going to do my best to make sure they have an informed opinion, and then base their decision based on that information that they're able to gather. So, just before I close and go to other questions, there is a website. It's [www.hstinbc.ca](http://www.hstinbc.ca). It has a great deal of information on it. You can visit that. You can actually be engaged on that as well. So, I encourage you to participate in that. If you don't get your questions answered here this evening, we'll get to as many as we can. And then put forward your ideas and still on, on the HST, how it can be improved or what your thoughts are on it through that website as well. So again, welcome everybody

**Moderator:** Thank you, Minister. I'll remind everybody that if you press star 3 at anytime, you'll be queued to ask the minister a question. Minister, we're going to take another call before we go to one of our poll questions. We have a call from [caller] who wants to know why there's HST on utility payments. [Caller], are you on the line?

**Caller:** I am.

**Moderator:** Can you go ahead, please?

**Caller:** Okay. My question is why utilities are something that everybody needs, it's something everybody uses. It's a matter of life and death to some people. And why is it that the HST was added to those essential items?

**Hon. Blair Lekstrom:** Hi, [caller]. Actually the HST, we have not put the HST onto either our electrical bill or our home heating bill. So the portion you've seen would be the Federal GST, which was applied before we had a rebate. You will see it on there, but it's dealt with through a rebate. So your home heating bill and home lighting bill will not be affected one cent under the HST initiative. So that's a great question because I get that quite a bit. If you look at your bill, there's a rebate line on there as well that will show the HST charged out, and then the rebate back to you as well. So it is a net zero. There was no impact on this. You know, it's so good to get the questions that we have like that because I think sometimes when we have this opportunity to, you know, get out and engage with the public on this, sometimes if those questions go unanswered, people think that they are paying the HST on things when in fact they're actually not. So, thanks for that.

**Moderator:** Thank you, Minister. We're now going to go to our first feedback question to get your input on the HST. I'll be asking you for your preferred answer by pressing a number on your keypad. Please

listen carefully to the options, and then I'll read the questions and answers twice. Here's the first question. The government HST revenues increase faster than the PST revenues would have because the tax base for the HST is broader. If you could take only one way to use additional HST revenue, which would you choose? There are 3 options. Increase spending on healthcare and education, press 2. Reduce British Columbians tax burden, press 3. Provide additional support to families with children, press 4. Let me read the question and the answers again. The government HST revenues increase faster than the PST revenues would have because the tax base for the HST is broader. If you could pick only one way to use additional HST revenue, which would you choose? Here are those 3 options. Increase spending on healthcare and education, press 2. Reduce British Columbians tax burden, press 3. Provide additional support to families with children, press 4.

We're going to go to a question from [caller]. She supports the HST, but she wants to talk about if there's an opportunity to have more disposable income being taxed. Minister, and also [caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** [Caller], please go ahead

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Yeah. Hi there. I am in favour of the HST, and I think it's doing a good job mostly because it is a consumer tax. And as consumers, we decide whether or not we're going to spend the extra money. And the people who are taxed are the ones with more disposable income. So I don't have a problem with that. I'm actually not in favour of the referendum even though it's not going to cost as much as if we actually had to go to the polls because I believe we live in a democracy. We elected our MLA's, and we have given them the right to make the decision that they made. So I don't have a problem with it, but there was such an uproar that, I mean these town hall meetings and whatnot are obviously a good idea. To Bill Bennett who I have been told he's listening tonight, you're doing a great job. We love your candour. And if people want to save some money that won't be have to be collected in taxes, I highly encourage people not to run to the doctor every time they have a virus or a cold. That's about it.

**Hon. Blair Lekstrom:** Well, thanks [caller]. Not much of a question for me to answer there. I just want to thank you for your comments. But maybe what I'll do is. [Caller], you have given me a bit of an opening. I know the answer to the question to a previous caller on home sales. And the one thing I forgot to say there, and I wanted to put this out there is the vast majority, 75% of homes sold in British Columbia are resales. There is no HST on used homes when resales take place. So that's very important. And 80% of those sales are for homes that are below \$525,000. 80% of new homes sold in British Columbia are below \$525,000. I know that if people in the Lower Mainland or on the Island were listening to that, they would differ. That's the 20% probably for the most part fall under there. But some good numbers, and I think a good understanding for people because there are many people where I live is well thought every piece of real estate was now affected by the HST when in fact very few are to be honest.

**Moderator:** Thanks, Minister. We have a question from [caller]. He wants to ask you why we're spending millions of dollars asking people if they want the HST when they've already said that they haven't. [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** [Caller], please go ahead.

**Caller:** Yes. Minister, the people of British Columbia said very, very clearly earlier on, you would be saying about 18 months ago, that we did not want the HST, and we're going through this spending of a few million dollars on this thing here. And also, I'm quite upset that you're putting in tax burden on to the middle class and taking taxes off businesses. The businesses in the past have been passed on the spendings that have done. And I don't think they will be doing that in the future. Thank you.

**Hon. Blair Lekstrom:** All right. Well, [caller], again, a good question. I think this is not about government deciding whether we should or shouldn't go to a referendum. The referendum, the people of British Columbia actually went out under the Recall and Initiative Act and earned the right. They're the ones that actually said to the government we want the right to have a say on this tax. And they went out, they gathered hundreds of thousands signatures which gained them the right to have that both. [Caller], so I'm not going to take that from the people. I will stand behind that. They, the men and women that went out there to work so hard doing that right, did I think an incredible job. And I said earlier that I think they made history not just for British Columbia but for our country to show what can happen when people come together.

So with that, you know, we're going to hear from them. It will cost dollars without question to host this mail-in. But to do it this way is going to save in the ballpark of \$18 million, [caller]. But it's a pretty good thing on that side of it. Now, the other one you talk about taking money away from the middle class. In fact, I'm not sure if you were on the call earlier, [caller], when I talked. The reality is we actually have lower taxes on average; about 37% for British Columbians. So today, in British Columbia, we now pay the lowest personal income tax on your first \$119,000 of income earned or any jurisdiction in Canada. As a matter of fact, we've also eliminated taxes for the lower end, which is \$20,000.

And last, I think close to 20, it's probably 18.8 is the exact number. You now pay no provincial personal income tax, BC personal income tax. And another fact I'm going to point out - actually an additional 325,000 British Columbians, they have no provincial tax at all. So, you know, sometimes, we do get caught up and maybe hearing some things. The thing is to be upfront with you. I think if we hear something and we go with that and then government comes out and says you know that's actually not quite the way it is. The tendency of people is to disbelieve government over something else they've heard. If I have one goal as an elected official, let's go try and change that. So, thanks [caller].

**Moderator:** Thank you, Minister. We have a question from [Caller]. She wants to ask about why there wasn't a consultation for children sized clothing, for children who wear adult sized clothing, before that was changed. [Caller], are you on the line?

**Caller:** I'm here.

**Moderator:** You please go ahead.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hi there. I actually had a 2-part question, but I believe that you've answered the whole first part. But I was wondering. If there is a whole changeover which we did in keeping the HST, will there be some sort of exception for children sized clothing? I have a stepdaughter, and she's actually taller than me. So I have to buy her lady sized clothing which there's HST on there now. But she is only 11 years old.

**Hon. Blair Lekstrom:** You know what, that's a great question, [caller]. And that is exactly what is important about these telephone calls and these town halls we're on tonight. That what we want to hear, from you and other British Columbians is that if the HST is to remain what could improve it. The issue you brought forward just now, I have heard numerous times. It is a difficult one without question, but you're right. There is an equity issue here that if I have a child that happens to need larger shoes or is taller for their age than the average person, I pay the HST. And it does. So, those are the things, [caller], we're looking to take back to the Ministry of Finance through the dialog we're having this evening and as we go forward on the other calls to see if there's ways we can actually improve this. So, thanks for that.

**Moderator:** Thanks, Minister. We have a question from [caller]. He's a trade's person, and he's worried the HST is affecting consumers, and making it harder for them to afford things. How can you. Minister, can you tell him a little bit more about how we can provide for his families? [Caller], are you on the line?

**Caller:** Yup.

**Moderator:** You can please go ahead.

**Caller:** Okay.

**Hon. Blair Lekstrom:** How are you doing tonight?

**Caller:** I'm not doing too bad. Yourself?

**Hon. Blair Lekstrom:** Good. Thanks. Okay. I guess I'll go right up. I guess the way it's going to help [caller] first and foremost is that if we're not competitive in British Columbia, and I know you have trades, and I have a long history of my family with the trades, we don't have the opportunity for jobs. And it may be oversimplifying it, but the reality is if a private sector company can invest their money, they're going to invest where they can get a return. And I don't think that's a bad thing. If I'm going to invest money which I don't have a lot of, I'd like to get a return. Those are the people, through their investments, that are creating jobs for you and me and our family.

So, how does the HST help you? I think in this most fundamental way: it allows us to be competitive in British Columbia with other jurisdictions across the country and around the globe. It's going to maintain and create new opportunities for all of us, not just trades people, as I understand you're a trade's

person, but for everybody. If we're not competitive, we're not going to have the amount of jobs we need to maintain the quality of life we have for ourselves and our family. So, thanks for that question. In a small state of form, you have hit the nail on the head. What it's going to do, it's going to allow us to be competitive which in turn will help us create jobs for all of us. So, thanks.

**Moderator:** Thanks, Minister. We have a question from [caller]. She wants to know what will happen if Canada Post is on strike during the referendum. [Caller], are you on the line? [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Thanks, [caller]. Please go ahead

**Caller:** Yeah. Canada Post from what I hear is going on strike towards the end of this month. And I'm just wondering what you're going to do with the referendum vote if that happens.

**Hon. Blair Lekstrom:** It's a great question. That is one I know, Elections BC is looking at that issue right now. I don't have the answer for you this evening. They're aware of that. I guess on the internal optimist that says they're going to reach an agreement and people are going to be able to carry on. But that's an issue that should have happened, and you know, I certainly hope it doesn't like I think most everybody. Elections BC will have to have a contingency plan for that, and they're going to have to come out with that.

**Moderator:** Thank you, Minister. We have a question from [caller]. She wants to talk to you about restaurants, and how the HST is affecting restaurants and the affordability for families. [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** I'm a bookkeeper. And I'm seeing it from a lot of my restaurants; they are struggling to keep afloat this year. They're talking; some of them are talking of shutting down. They finally mean to see a huge burden. Yes, the collection of 12% and it just goes back to the government. But I think what they're really seeing is a decrease in people, average families being able to go out to the restaurant to do that actual purchase. This is a huge factor for our region. And I actually had 3 questions. One was answered about clothing because I have people coming to me saying it's not fair, it's not fair. I have to pay HST for a 10-year-old for their clothing. And my third thing is if we do both the HST out, how are we going to pay back all the transfer taxes we are paid for accepting the HST?

**Hon. Blair Lekstrom:** All right. I will do my best to answer that. There is an impact when we go to a restaurant. Without question, there is nothing that I can stay. There is an increase in that. But some of the information that we've gathered, the restaurant industry recorded a slower growth when the HST was introduced without question. I think there is an impact on some still. But right now, overall sales



growth has returned to the national average in British Columbia. Still, I don't want to mitigate the impacts it is having and still having on some restaurants. But overall, it seems to have levelled out.

There may be other factors there that I'm not aware of, [caller] that are affecting that business. The clothing issue, the caller before raised the same issue. I have had that issue raised many, many times to me about children sized clothing. We want to take the information that we're hearing this evening and go from there with that. So there are a number of things that we're going to continue to work on, [caller]. And we will do what we can if this tax is decided to be capped.

Now, the other one is where does money come from to pay it back. There was a transfer of \$1.6 billion from the federal government to the provincial government for this transition. That money is in our budget. We have included it. We're in the speck in their use with that money now. It is in the 3-year rolling fiscal plan. So all of that money I want to point out first of all is just going to the services that you and I enjoy. So it isn't a windfall of money. In fact we're spending it on healthcare and education and all those programs well. And in fact we still don't collect enough money to pay for how much we're spending which is a big concern. It will come from British Columbia. If we in British Columbia make the decision that we want to go back to the PST-GST system, we will be responsible to find our \$1.6 billion, and pay it back to the federal government. We'll obviously try and negotiate with the federal government to see what options are available. But that money will come from us.

So, the one thing I go back, I said this earlier on the call, as long as people make an informed decision, that's the most important thing to me. We don't want to base this vote on a motion. I think that was acceptable that the way this was rolled out, people were very outraged. And I think that issue has been dealt with. But if we based our vote, all of us, based on what is in the best interest to British Columbia. That's the key issue here. And if it turns out, that the majority of British Columbians say the best interest, is to keep the HST and try and fix it. We'll do that. If the majority of British Columbians that vote, decide we should go back to the PST. PST-GST, there will be a financial impact on. We will make that work as well.

**Moderator:** We're going to a question from [caller]. And she wants to talk to you about what's happening with the HST's impact on the transportation freight industry. [Caller], are you on the line?

**Caller:** Hello, Minister.

**Moderator:** [Caller], you're on the line. Please go ahead.

**Caller:** Okay. I hear you

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hi.

**Hon. Blair Lekstrom:** How are you?

**Caller:** I'm good.

**Hon. Blair Lekstrom:** Good.

**Caller:** I'm going to – I think probably a comment and then a question for you.

**Hon. Blair Lekstrom:** All right.

**Caller:** I just saw some data online what the HST is costing the average family. And I wasn't clear on whether it was I think was \$400 a year per person.

**Hon. Blair Lekstrom:** \$350 I believe per family. That was the report that came out today, [caller], and the impact on average is to affect families to the tune of \$350 per year.

**Moderator:** Thanks, Minister. We're going to go to call from [caller]. He has a comment about the HST and the way it was introduced. [Caller], are you on the line? Are you there?

**Caller:** Hi.

**Moderator:** [Caller], if you're there, please go ahead. Minister, we may have lost...

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Yes.

**Hon. Blair Lekstrom:** Go ahead. How are you?

**Caller:** My name is [caller]. Hi there. I'm a single. I live in the Kootenays. I just wanted to say that I've lived in other countries, like I lived in the United States for a while when I was going to school and I saw you know, extreme poverty, people not getting health care, lack of social program. So I think you know, as a citizen of BC we were – there was sort of a collective outrage and we considered it an affront like the way it was introduced. And I think that someone paid for the job with that. But I'm happy, you know, I enjoy some wonderful programs here you know, for my kid's education, healthcare. I'm happy to pay the HST. You know, once I understood what the situation was. But I think that it's great that you're doing this, and I'm happy to, you know, shoulder my responsibilities with these taxes. I think we enjoy an excellent lifestyle here. So, thank you.

**Hon. Blair Lekstrom:** All right. Well, [caller], thank you for your comments. You know, I agree. I think we have an incredible quality of life here in British Columbia. And, you know, I've had the opportunity to travel a little bit. And I, you know, I tell my family of this and my children. And virtually any one that will listen, that's, you know. On our worst day in British Columbia, we will have it better than 90% of the world will ever enjoy on their best day. And that's not to say that we can't do things better whether it's individual or as a government. We're going to try and do that. But thanks for your comment.

**Moderator:** Thanks, Minister. We're going to go to [caller]. He has a question about whether or not we can expand HST exemptions on the things like restaurants and haircuts. [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hello. Hi. I've not got any haircut since the HST came in, and I do my own hair now to save the HST. And when I go to the deli counter, I have to pay HST on baked chicken. And yet I don't have to pay HST on baked bread. So, why?

**Hon. Blair Lekstrom:** All right. Good question, [caller]. And thanks for that. So, the issue is that the HST is applicable to everything that was GST applicable before. So, one of the questions earlier was I believe was on grocery. No. Very few groceries are affected. What is affected in your grocery store is anything that was GST applicable before is now HST applicable. So that is one of the things that we've got that had happened. As I said, 80% of our consumer spending is the same as it was prior to the HST coming in. The impact with the HST affects 20% of our consumer spending which means there's a 7% addition on that 20% of our consumer spending. That's the impact. But when you make the purchases that you said before, it would have been GST applicable. And that is now HST applicable. So hopefully I've answered your question, [caller], on that.

**Moderator:** Thank you, Minister. I just want to let our callers know that we're running out of time for questions. We probably have time for a few more. First, we're going to go to a question now from [caller] who's a real estate agent, and is interested in the extra cost in the property transfer tax and how the HST impacts all of that. [Caller] are you on the line?

**Hon. Blair Lekstrom:** Hi, [caller].

**Moderator:** [Caller], if you're there, please go ahead.

**Caller:** Hello.

**Hon. Blair Lekstrom:** Hi, [caller]. How are you doing?

**Caller:** Good. Thank you.

**Hon. Blair Lekstrom:** Good.

**Caller:** I'm just wondering, you know, real estate is trying all across the province. Probably it's for an initial up even in Vancouver if prices are dropping, sales are not as high. And you've mentioned 20% of the things were only impacted by the HST. But one of the biggest impacts is the GST on property, on housing, new housing, etc. You mentioned something about 70% of the sales were private. Yeah. But what drives the business is construction in new houses, et cetera, real estate market and everything else. And in this whole area, the real estate market is done. People have to either lower prices or hit the HST themselves. But there's the seller. And people just don't want to do that.

**Moderator:** Minister, I think we may have lost our caller. Do you want to go ahead and answer as best as you can?

**Hon. Blair Lekstrom:** Sure. Okay. I will do that, [caller]. And sorry we've lost you. I'll do my best. And hopefully I can try and answer that. So, the HST impacts homes once you get above \$525,000. Prior to that, there's a rebate that comes back that makes the purchase their whole. What I said was 75% of homes in British Columbia that are sold are resales, so they're not new homes. And those are not impacted at all through the HST. And 80% of the new homes sold in British Columbia are below \$525,000.

You also mentioned something I believe when you started about the property transfer tax, there is no change to the property transfer tax with the HST. [Caller], hopefully I've answered that for you. There is the ability to go online as well at [www.hstinbc.ca](http://www.hstinbc.ca). And look at that. And as well, there's a place there where you can participate and put your comments or questions forward. So thanks, [caller].

**Moderator:** Thanks, Minister. We're going to go to the 2nd of our case feedback questions. Again, I'm going to ask you to take in your preferred answer using your keypad. Please look into the options and I'll read the questions twice and the answers. Here's the 2nd question. If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only 1 option to make up the revenue difference, which of these would you choose? There are 3 options. Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Run larger deficits, press 4. Again, here's the question. If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only 1 option to make up the revenue difference, which of these would you choose? Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Run larger deficits, press 4.

Minister, we're going to go to a caller. We have time for few more. [Caller] is on the line with the question about whether or not the government will honour what the people want from HST vote. [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** Hi. I was against the HST at the beginning. I thought the way it was on the crossbar for us, was very rude. And you guys admitted that. However, we spend a lot of money changing over their equipment at work to charge the HST. And then if the vote goes again that, then they have to revert back GST-PST. And neither one, neither the PST or the GST is going to go up. Am I right? So either way, we're going to be paying more taxes. So, I think it would be better to just leave it the way it is and work with that.

**Hon. Blair Lekstrom:** All right. [Caller] thanks. And you know, the other one too sometimes, I got this question as well. Is, you know, are we paying more tax? And I said earlier, 80% of our consumer spending, it's the very same. The impact to the HST affects 20% of our consumer spending. And when I say that on that 20%, it's a 7% impact. So, you know, for instance, our sales tax is 7%, the GST is 5%. So

under the old system of PST and GST and 80% of our consumer spending, we spent that 12%. Now, today, under the additional 20% of consumer spending, we'll have an impact of 7% on that.

So it is an interesting situation we find ourselves in. There's no doubt that the introduction of the HST was flawed, recognized not only by the people who earned the right to have a say in it, but by the government as well. And I guess I'll go on a visible comment here. The sign of a government – no government can go through a mandate without making a mistake or two, without question. What I think we've seen many times though is government, whether we're talking about in British Columbia or local government or federal, try and justify that mistake rather than saying you know what, we've made a mistake. In this case, I'm proud to be back with government because of the recognition that, you know, a mistake was made on how this was put forward. And now the people have earned their right to have their say. But we're going to engage with them to ensure that before they cast their ballot, everybody has an informed opinion. And we will honour the results of this. It will take a simple majority whichever way that goes. Government has already said we are going to honour the outcome of this vote.

**Moderator:** Minister, thank you. Our time is almost up for tonight's town hall. We'll go to one more question. I have to remind our callers that if they didn't get a chance to ask their question and they want to leave a comment for the government, please remain on the line and you'll have an opportunity at the end of the call to leave a recorded message. We're going to go to [caller], Minister. He has a question about how the HST if it's less than place. What the government is doing to help lower income British Columbians like seniors and retired people. [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hello.

**Hon. Blair Lekstrom:** How are you doing?

**Caller:** I have a couple. I actually had a couple of questions, but my main question is for the seniors in this province. You see they're seeing how everybody is, increases in health cost and all those other kind of stuff. And I know quite a few people who don't go out for suppers anymore, don't do a lot of other stuff, because these people are being impacted by this thing. So, some of these people don't have a lot of disposable income. This thing was in fact through very well. I can tell you that much. And I take exception to the lady who made the statement that if you have a sniffle or a cough, you don't go see the doctor until it turns into pneumonia or something. And then it's a further burden on the people of BC. So that's end of my question. And what are you doing to do for these people? What are you going to do for the seniors in this province, and people can afford this kind of stuff?

**Hon. Blair Lekstrom:** All right. That is a great question, [caller]. And I answered one earlier very similar, and I'll go through with again here. Whether you're senior or a low income British Columbia. We have about 1.1 million low income British Columbians that receive the benefit of an HST credit. 20% of the

recipients for the BC HST credit are seniors. So what that is, is for a senior individual who makes up to I think it's \$20,000, will receive an HST check of \$230. Now, that is above what the GST rebate was. So when we talk about what we're doing, there are a couple of other things we've done as well. For low income British Columbians, there's now 325,000 British Columbians that pay no provincial income tax. We eliminated that for low income British Columbians of which was I said I think about, 20% of those are seniors in our province, in that range. I may be off a little bit. If you're above the low income threshold, we now pay the lowest personal income tax in the entire country on the 1st \$119,000 of income earned which is I think a very good thing. But also not only that low income British Columbians and we'll talk to seniors here, those as I said earning up to \$18,800 pay. No provincial tax. They also are low income British Columbians are exempt from the MSP premiums as well. Which, again, is something we've done as a government.

Sometimes, you know, it's interesting as being part of government, as an elected official. We're dealing with this on a daily basis. Sometimes, we don't do the best job of communicating that out to the people so that they actually know what's going on out there. Some people do, and that's good. But I think we have to be, you know, more engaged through issues like what we're doing tonight, a telephone town hall. We've got to make sure that the good things we do are out there. So people know what's going on. There are lots of things that we take for granted and think people have actually happened when in fact we haven't done our job in communicating that. I tried every day to improve on that. So, thanks for your comments, [caller]. That hopefully gives you some comfort in what's happening in British Columbia with our low income earners as well as our seniors.

**Moderator:** Minister, thank you. I'm sure you want to thank more than 17,000 more participants who've been on the call with you this evening. And I'm going to turn it over to you now to wrap up with your closing comments. Minister, over you.

**Hon. Blair Lekstrom:** All right. Well, thank you Sarah for that. And I do want to thank over 17,000 people participating. It is truly incredible. This, as I said earlier in my opening comment, you know, this was the 2nd opportunity I've had to participate in the telephone town hall. The first was in the Peace Country, which was my home. I didn't know what to expect. We have I think about close to 6,000 people in the Peace Country participating. It is an amazing format in which to allow us as elected officials to engage with the people we represent. You know, it allows in our busy lives sometimes a town hall meeting is a little more difficult to go down to your community hall and participate in. This is a great avenue to communicate.

I do want to encourage people if they have further questions or further information they're seeking. I will. The website is [www.hstinbc.ca](http://www.hstinbc.ca). You can go there; you can gather a great deal of information. You can also put your ideas on how to improve the HST forward on that. Then you can leave a message with that. The other thing that will be happening, I'll close with this as there will be a mail-out going to every household in British Columbia talking about the HST. It will include both sides of this debate. It is not one-sided. They will include the people who have put together the pro side saying this was what's good about the HST. It will include the side that is opposed to the HST and include that information. The key issue when I close with this as I said many times tonight, I think we all have an opinion on the HST or

how it was rolled out. The key issue for me is to ensure that as we go towards casting our ballots, we all have an informed opinion. And I'm looking forward to the results whatever they may be.

As I indicated earlier, I support the HST. I think it's a sound economic policy. I think it will allow us to continue to be competitive with other jurisdictions around the globe, which will allow us to create jobs for ourselves and our families. But I simply want to say thank you. This is a great exercise I think in engaging people on behalf of government. And I'm proud to be part of it. So, have a great night everybody. Hopefully the sun is shining on you. Take care.

**Moderator:** Thank you, Minister. And I want to thank everybody again for participating. And remember that if you stay on the line, you'll have an opportunity to leave a message. And now I formally close this town hall and wish everybody a good evening. Thank you.



## MAY 10, 2011 – MID & NORTH ISLAND, SOUTH COAST TELEPHONE TOWN HALL

Host: Minister of Transportation Infrastructure, the Honourable Blair Lekstrom

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
162,657	39,109	24,624	19	63%	467	24

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this was the eighth of eleven regional town halls conducted by Government with British Columbians.

Minister Lekstrom responded to 24 questions and/or comments during this call. Issues that arose from citizens of Mid and North Vancouver Island included the following:

- Exemptions or mitigations for specific products or industries: First time home buyers, consumers who eat at restaurants, small businesses in tourism, food services, energy efficient vehicles, supplements, pay down the debt
- Raised issues with the economics of implementing the HST, how the HST will make the Province more competitive and the merits of a consumption tax versus income taxes.
- Rate reduction and taxation fatigue caused by all levels of government.
- Callers were concerned about the administration costs, the cost to the Government in the event of a return to the old PST + GST system and how government will meet the revenue gap.
- Impacts on seniors, lower income British Columbians, middle class and small businesses were all raised.
- Inquiry about whether a rebate of HST paid will be provided if British Columbians' chose the PST + GST system.

A few callers voiced their displeasure at how the tax was introduced and government spending taxpayer dollars to defend the HST. Many people also thanked the Minister for using this type of technology to communicate

Confusion remains about the application of the tax on specific products (prescription drugs) and one caller asked whether the Province can have point of sale rebates like Ontario has implemented.

### Questions/Comments to Minister

*I just wonder why is it you think seniors can afford to pay the further tax better than corporations?*

*Previously, small business sometimes ... would take cash under the table. There is no motive for doing that anymore because you get your HST back.*

*Would the government consider a reduction in the HST to balance the average \$350 a year per family?*

*I love to see democracy in action.*

**May 10<sup>th</sup>, 2011 Transcript: Mid Island, North Island and Southern Coast Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST Town Hall with BC's Finance or rather Minister of Transportation and Infrastructure, the Honourable Blair Lekstrom. My name is Allison and I will be the moderator for the town hall this evening.

Before we begin, I'd like to say a few words about how this town hall will proceed. The Minister will have some short introductory comments and then we will proceed with a live question and answer period. A word about privacy here, this call is being recorded and will be transcribed and posted on our website, so if you do not want your ideas, comments or opinions to be part of the transcript, I recommend that you remain in listening mode.

So that we can include as many of questions and comments as possible on this call, please keep them short and to the point. If you wish to ask a question during the town hall, please press star 3 on your keypad. That's very important, star 3 on your keypad and you will be connected to an operator. For your privacy, please use only your first name when speaking to the operator. We want to hear a wide variety of views and questions from the audience tonight. The operator will make sure that we reduce duplication of comments. When you hear me announce your name, your line will open and you can ask the minister your question. After you've asked your question, your line will be muted so that the Minister can respond and you will be placed back in listening mode. Please note that there will be no questions after the question and answer. There's no time for follow up questions, so you'll just have one question and one answer. I asked that you use polite language on this call as well. Anyone using bad language or swearing will be cut off. Later in the call, you'll be able to provide your feedback on the HST directly to government by answering a couple of multiple choice questions. These questions are not scientific, but they provide an opportunity to engage you on some important questions about the HST in British Columbia. Thanks for your patience, everyone. We will do our best. We may not get you everyone who has a question or comment for the minister tonight. However, if you stay on the line until the end of the town hall, you will have a chance to leave your comments in a recorded message.

Again, if you want to ask a question, please press star 3 on your keypad. That's star 3 to ask a question. I'm going to turn the call over now to Minister Lekstrom for his opening remarks. Minister.

**Hon. Blair Lekstrom:** Well, thank you very much Allison and good evening, everyone.

I want to start by thanking you for taking time out of your busy schedules to participate in this telephone town hall. This is the third one I've had the opportunity to host and participate in and I think it is an incredible way to try and engage the public on different issues.

The reason we're here obviously is to discuss the HST and hear from you your ideas, if the referendum, and the people of British Columbia have earned the right to have a say in this. If the decision is made to keep the HST, or you think you have ideas on what would make it better or enhance it, that's what we would like to hear from you this evening.

Joining me on the call, I have MLA Ron Cantelon, as well as MLA Don McRae joining us on the call this evening. They will be listening in.

You know, this is an important time in the province of British Columbia. I think it's fair to say that everybody recognizes that there are two issues at play here. One was the implementation or the role of the HST that government has clearly recognized was done, in probably, a manner that other governments from not just across the country, but around the world could look at and find a way not to do things. And our government has recognized that.

The other issue is to really make sure that before we all go to the polls and have the opportunity to cast our ballot, I think everybody has an opinion on the HST, certainly that I've spoken to. I want to do my best to make sure we all have an informed opinion so that when we go to cast our vote, we base it on the best available information that we have.

There are some time frames that will take place. Starting on the week of June 13th, the ballots will be mailed out to the homes around our province. By June 24th, most of you should have your ballot. July 22nd is the deadline for ballots to be received by Elections BC. That means they have to be mailed well before that and in the hands of Election BC. On July 25th, the count will begin and by mid-August, the results or the referendum will be announced.

I'm looking forward to hearing from you this evening. I will do my very best to answer the questions that you raise with me as well. I will point out a couple of times through the evening, we have a website it is [www.hstinbc.ca](http://www.hstinbc.ca) full of valuable information. There's also a new survey and comment section on the HST on this website as well and I will encourage you to participate in that. Without taking up any more time, I want to pass it over to you and I will open up the telephone town hall and hear from you.

Again, thank you for participating

**Moderator:** Thanks very much, Minister Lekstrom. I'd like to remind everyone that again, if you would like to ask a question, please press star 3 on your keypad. That's star 3 on your keypad to ask a question.

Just to get things rolling here, Minister, let me start by asking you this question, I think some people are wondering about this. Why does the province choose to hold the HST referendum using a mail in ballot, and when can people expect to receive their ballots?

**Hon. Blair Lekstrom:** Well, going to a mail in ballot, I think there's a number of reasons. One, I think it will save the taxpayers close to \$18 million which is money that can go to other services that I think most British Columbians would like to see funded and, you know, whether it'd be health care, transportation, education. So very significant benefit financially.

I also think it gives additional flexibility. I mean, I think most British Columbians would agree, we live a very busy life - most families - sometimes families or people that are eligible to cast the ballot are not there on voting day. This allows that flexibility to take place.

## Check Against Delivery

Also, you mentioned the dates. The ballots will load on the week of June 13th. Everybody should have received their ballots by June 24th. They do have to be returned and in the hands of Elections BC by July 22nd, no later. So it gives quite a great deal of flexibility.

It also will allow time for, you know, whether it'd be families sitting around the dinner table, or speaking with your friends, the ability to discuss this back and forth with the information that's shared. There is going to be a mail out that comes to every household in this province and it will include both the pro side and the con side to the HST which is very important, so that people can make an informed decision. So that's really it in a nutshell, Allison.

I think it's the right way to do it and certainly, I know Premier Clark made a commitment to expedite this vote and move it forward. We are not only going to accomplish that but do it in a very cost effective manner.

**Moderator:** Okay, excellent. Thanks very much, minister. Again, if anybody would like to ask a question, please press star 3 on your keypad and let's go to the lines now.

We have a question on the line from [caller] who wants to know where the money, how much if any of the money collected from the HST will be paying down debt? [caller], go ahead please.

**Caller:** Yes, that is my question and I'd like to know if it has even been thought of - or whether it's just going in to general funds? I would like to see some of our debt paid down and I'm willing to pay it for that.

**Hon. Blair Lekstrom:** All right. Well, thanks for the question, [caller].

All of the, right now, revenue is allocated to health care as we collect it. So what we're doing in British Columbia, I think most British Columbians recognize that we are delivering, you know, a great deal of services to British Columbians. Unfortunately, we are not collecting as much money as we spend today. We have made a commitment to get back to a balanced budget situation and we're going to do that.

We spent today, you know, over, I think it's \$17 billion on health care. Roughly 42% of every dollar we collect in the Province of British Columbia goes directly to health care, 27% goes to education, 8% goes to our social services, 6% goes to interest on our debt and 17% is left to provide every other service that we enjoy. So the money will be allocated to health care, but that, you know, when the money goes into the consolidated revenue fund, you have to apportion that to meet all the needs that British Columbians rightfully, require and deserve.

The key for me and I think most British Columbians agree with this, certainly when I've had the opportunity to talk to them is, we have to quit spending beyond our means. We have to quit spending money that we don't have today, forcing our children and grandchildren to pay for that. You know, that takes all of us, that takes not just government, but each and every British Columbian to really put their thinking cap on. It's just not realistic to I think say, I want more services, I want more spending, but I want to pay less taxes. That just doesn't add up.

Hopefully I've answered that, [caller]. So the money in a nutshell is going, it's allocated to health care

**Moderator:** Very good. Thanks, minister. And let's go now to [caller] on the line. [Caller] has a question about what happens if the HST is voted down. Go ahead, [caller]

**Caller:** Yeah, my concern is that money is going to come from somewhere and this is voted down, you know, where is that money going to come from, I guess?

**Hon. Blair Lekstrom:** Hi, [caller]. Well, again, if the decision by British Columbians is to go back to the PST + GST taxation system that we had previously, you're right, the money will come from you and I, [caller]. It's where it's going to come from, it's going to come from British Columbians.

We will be responsible to pay back the \$1.6 billion that the federal government has transferred to us. There is additionally the issue of lost revenue in the future years as we look at what's being collected. So as we plan, and in British Columbia we run a 3-year rolling fiscal plan, you know, the amount we're going to spend on health care or education or in this case, it represents transportation and infrastructure. There'll be some difficult decisions ahead of us, but, you know, we'll face that when we see what happens and go from there. Thanks [caller].

**Moderator:** Thank you, minister and going now to well, first of all if you are wanting to ask a question, please press star 3 on your keypad. Star 3.

And let's go now to [caller] who has a question about the items that are taxed under the HST as opposed to the PST. Go ahead, [caller].

**Caller:** I just wanted to know if the government's going to publish a list of stuff that was previously not taxed by PST, and once they invoke the HST, they brought that into the HST that wasn't previously on the PST?

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Hi

**Hon. Blair Lekstrom:** Yeah, we are actually; it is on and I'm not sure if you were on the call - I'll get you to visit the website - it's [www.hstinbc.ca](http://www.hstinbc.ca). There is a list on there as well, everything that is under the buying goods section.

So if you visit that, you will see the list. Everything that virtually, as a rule everything that was GST applicable before that we pay the GST on, is now HST applicable. That's it in a nutshell. It does include additional items that you and I didn't have to pay the PST on before without question.

I think the latest report that just came out indicates that on average, we would be affected as families to the tune of about \$350 per year and it goes from there. But really depending on how you spend your finances is going to dictate the impact that this could have on you or the net benefit it will have on you. Thanks, [caller].

**Moderator:** Going now to the phone lines and I hope I'm saying your name right, it's [caller] and [caller] has a question about the effect of the HST on seniors. Go ahead, please.

**Caller:** Oh yes, I thought I already asked that question. Do I have to ask it again?

**Moderator:** Yeah, go ahead and ask it again

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Okay. Hello, Minister. I just wonder why is it you think seniors can afford to pay the further tax better than corporations? You know, papers and on funerals and deli meats and people, or if seniors, for instance, aren't able to cook for themselves and they, et cetera.

Why do you think we're able to come up with all these extra money? Also the other question I had, was why does Kevin Falcon come on the radio and I feel like he's threatening us, if you don't vote for the referendum, we're going to increase the PST. I thought if we don't vote or if we defeat the HST, then we will go back to the old system of the PST and the GST, where the, a lot of things aren't covered by the PST. Is this different?

**Hon. Blair Lekstrom:** No. That's a great question.

I'll answer the second one first. If the people of British Columbia decide in the referendum that they want to go back to the PST and GST, that's what we will do. Just the format that we had. So I do think that, I heard Kevin's comments, I think maybe they were taken out of context. I believe in question period he cleared that up today. So hopefully that's dealt with that. I didn't take it as a threat, but there is a reality. There is a cost associated with going back to the PST/GST. Not just the \$1.6 billion. But also, there is projected revenue increases. I think it's fair to say, you know, when you look at the out years, we're talking hundreds of millions of dollars that this tax will generate in additional revenue. There is no question. But the other side of that coin is, it doesn't go anywhere except straight back into the services you and I enjoy, whether that be health care or education. So hope - that's the second question.

The first you talked about was how could seniors afford this? Actually we're trying to make sure, not just for seniors, but for low income British Columbians, they are looked after and actually, there's 1.1 million low income British Columbians, of which I believe about 20%, are seniors will be actually receiving a net benefit from the HST cheques that come back to them. It's an HST credit cheques of which will help offset, that applies for low income people in British Columbia.

So, you know, I don't know what the situation is that you were talking about. Traditionally whether you're a senior or a non-senior, but on the higher end of the income scale, or, you know, you're facing a different amount of money, low income people are looked after. That way, you know, I'll go a little further - there's about 325,000 people in British Columbia now through the changes that we've made in our taxation policy that pay no personal income tax, British Columbia personal income tax. There's also that same amount no longer pay the MSP premium, I believe they're exempt from that in that number. So you try and find that balance without question. And the priority is that those that can least afford

increases, whether it'd be in taxation or fees, we're doing our very best to make sure that we not only look after them, but actually under the HST they will see a net benefit. And thank you for the question

**Moderator:** We are on the line with the Honourable Blair Lekstrom, the Minister of Transportation for British Columbia and once again, if you would like to ask a question, do press star 3 on your keypad. We're going to the lines now and [caller] is on the line. He has a question about the cost of repealing the HST. Go ahead[caller]

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Yeah. Hi there.

**Hon. Blair Lekstrom:** How are you?

**Caller:** Blair, with the... oh I'm not too bad.

With the HST, as it seem, it's already in place, okay? You know that and I know that, we pay it. Yeah, how much difference really is there? Now what is the true cost of HST for seniors or for middle income or high income mattering not.

How much - what is the actual difference today to what it was with the GST PST combination. Not much, is there?

**Hon. Blair Lekstrom:** You know what [caller]? That's a great question.

No, there isn't. There is a report that just came out that talked about for the average family in British Columbia, this will increase the yearly expenditures by \$350. Now, I don't want to minimize that. There is an added cost without question, but in order to be able to spend money, I'm a believer, you first have to have a job to earn the money that you're going to spend and that's very important. So, we have to be competitive, [caller], and we compete in this global environment and I know whether people like that or not, that is the world in which we live today.

So governments don't create jobs. We create an environment where the private sector wants to invest their money - that's who creates the jobs for ourselves and our children as we grow up. And if we're not competitive as a jurisdiction, they take that money and invest it elsewhere. So it's a fine balance that governments, not just in British Columbia but across the country work on and that's trying to find the right taxation model that will attract private sector investment and the same time, allow the people that live in our Province enjoy a quality life and enjoy the services that we provide.

So is there a big difference? A lot of that answer would come in on how people spend their money, but on average - the average family will be impacted to the tune of \$350 per year. And thanks, [caller] for that.

**Moderator:** Thank you, Minister. We'll get back to the phone lines in just a second, but I have a couple of questions.



They're feedback questions to get your thoughts on the HST. So everybody that's listening in, we'd like you to vote. I'm going to be asking you to select an answer by pressing a number on your keypad. Please listen carefully to the option that I'm going to read. I'll read the question and the answers twice. Here is the first question.

Government's HST revenues increase faster than PST revenues would have because the tax that is for the HST is broader. If you could pick one way to use any additional HST revenue, which of these would you choose? There are three options.

The first one, increase spending on health care and education. If you agree with this option, press 2. Reduce British Columbians tax burden. If you believe this one then, press 3. Provide additional support to families with children. Press 4 if you agree with that statement.

Let's read the question and answer options one more time. Government's HST revenues increase faster than PST revenues would have because the tax base for the HST is broader. If you could pick only one way to use any additional HST revenue, which of these would you choose? The three options again.

One, increase spending on health care and education, press 2.  
Reduce British Columbians tax burden, press 3.  
Provide additional support to families with children, press 4.

And let's go back to the phone lines. [Caller] is on the line with a question about the motive behind HST. [caller], go ahead, please

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Mr. Minister, yeah, I'm a small, been a small business man and I have noticed before we collected the GST and PST, but basically we did it for free. Now that we collect the HST, we actually sort of get paid because we get the HST back on our purchases.

Now, what I've noticed is that previously, small business sometimes if there was a deal happening, they'd take cash under the table. There is no motive for doing that anymore because, yeah, you get your HST in just about back. And I just wondered if that was part of the philosophy that initially put the HST in - that more tax would be collected and less cash under the table? That's my question.

**Hon. Blair Lekstrom:** [caller], that's a great question. And you know that wasn't part of the motive. I guess that's a positive, unintended consequence of what the HST has brought.

The real issue was that following the last election, we came back. I think everybody recognized the global economic meltdown that was happening and everybody's finances around the world was being affected. Obviously ours was no different and we found ourselves in a position that we weren't only \$500 million short, we were in the billions of dollars. And people say, how can that happen? I'll give you a quick example, for every \$1 that natural gas drops in price, we lose \$300 million of revenue in the province of British Columbia.

So I'll give you an example. I think today, I haven't looked at the exact number, but we're probably in the \$4.40 range, \$4.40 per gigajoule. It wasn't that long ago, too many years ago, we were over \$10. So pretty substantial loss when it came to that.

I think when I talk to people, [caller], you know, they say, hold it – 'I'm not sure I believe you it wasn't on the radar; we think it had to be'. You know, I sat at the Cabinet table at the time, it was not on our radar. We came back after the election. The decision was made and I'll give you my view of this - There was no decision made with any malicious intent. This was a decision made during that global economic meltdown that government thought was going to help stabilize our economy and help us remain competitive.

Where this went sideways, it's government was so captured in trying to deal with this that they forgot to bring the public that they represent along. And that really is why we're at the position we're at today. The people of BC took great attempts and said, you know what? We're going out and they earned their right to have a say in this.

It's not very often you ever see a government admit a mistake and I'll tell you what, in this case, I'm proud to be part of a government that has said, you know what? We made it with the best of intentions, we obviously delivered this tax wrong. We made a mistake and we want to hear from British Columbian.

I've watched over my 25 years of study of government. Many governments who make a mistake, try and justify that mistake instead of saying that they made a mistake. So right now, the tax is in the hands of British Columbians because they earned that right and my big encouragement to every British Columbian going to cast a ballot is - don't base your vote on emotion. Let's make sure it's based on the factual information and then we'll go from there. Thanks.

**Moderator:** And reminder to everybody on the line that if you would like to ask a question, do press star 3 on your keypad.

Let's go to the line now and it's [caller] who is asking, how much the government is spending on advertising or promoting the HST. Go ahead, [caller], please

**Caller:** Mr. Lekstrom

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Hi. I got to figure out what my question was because I've had so much information put to me.

A couple of things I'd like to comment on. I believe that your government is only admitting that they were wrong having presented this to us after the fact and after hundreds of thousands of people signed stating we were not impressed with how it was done.

**Hon. Blair Lekstrom:** I agree with...

**Caller:** When you left the government and I thoroughly thought that I would miss you being the only Liberal that I've respected. Anyways, my question is, money is going to the opponent and the

proponents for the HST. Government is also spending a substantial amount of money defending the HST. Why is that and how much is that?

**Hon. Blair Lekstrom:** All right.

There's \$250,000 going to the pro side; there is \$250,000 going to the con side. There is an additional \$500,000, I believe it is, that it's going to the colleges and universities to host public forums. They're going to host 11 of them. Then, there is another \$700,000 that will be put forward in the form of a mail out that is going to go to every household, and the mail out, [caller] is covering both sides. It is not just the government side or the pro side. It is both the pro side and the con side to the HST. The whole issue is about trying to get the information out there and let people make an informed decision. The government is going to spend money. I know the Minister of Finance had indicated he'll release that as soon as he has those figures in. So there'll be nothing hidden there at all.

You did state that we did this after we recognized after the fact without question. I wouldn't side step that. It was clear that the people of BC spoke very loud and very clearly that they wanted to have a say in this. They went through, realizing the Recall and Initiative Act to earn that right. It's a great piece of legislation that we have in British Columbia and I think British Columbian should be proud. I think they made history not only in our province but really in our country to show what the power of the electorate can do.

As I said, it's pretty rare you hear a government and certainly I'm not sure I can remember a time when I've heard a government say we made a mistake. Our government has said that in the way this was delivered and we are now in a position where the people earn their right to have a say and I'm looking forward to the, the results of that. Thank you.

**Moderator:** Thank you very much, Minister. I wonder, we have a lot of people on the line now and some of them may have missed your opening comments. I wonder if you could repeat them right now?

**Hon. Blair Lekstrom:** All right, well thank you, Allison.

For those of you that have joined us, I want to welcome you. Thank you for taking time out of your evening to come on this telephone town hall about the HST. For those of you that are still on the line from the beginning, thank you as well.

Tonight is really about hearing from you. Ideas that you have about the HST. If you had ways that you could improve this tax, what would they be? We want to hear that. There is really - we are open for any questions. I indicated earlier, I will do my very best to answer it.

There is also a website that I encourage everybody to go and visit. it is [www.hstinbc.ca](http://www.hstinbc.ca) and there's also, on that website, there's a new survey and comment section on the HST and I encourage you to participate in that.

The people of British Columbia, I've said this numerous times on the calls I've had, this is the third telephone town hall I've been on. The people of British Columbia earned the right to have a say in this

tax and without question made history. Tonight, I want to hear from you. What do you think would work if this tax was to be maintained by British Columbia in the upcoming referendum? What could we do as a government to improve it? And that is really it in a nutshell, Allison. So thank you for that.

**Moderator:** Thank you. We are on the line with the Honourable Blair Lekstrom, the Minister of Transportation for British Columbia.

And again, if you would like to ask a question, do press star 3 on your keypad. Let's go now to [caller] who has small businesses and wonders what the advantage to small businesses there is in the HST. Go ahead, [caller]

**Caller:** Good evening, Minister

**Hon. Blair Lekstrom:** Hello

**Caller:** The government that I voted for and wholeheartedly support - tells me that the HST is good for business. I'm the owner of four businesses. One of them is a fast food restaurant. Sales since the HST was brought in, down 18% resulting in some layoff of staff, and some, some hardship.

Second business is an amusement park. Sales down approximately 20%, staff layoff. The amusement business was not subject to PST before this was brought in.

Third business, vending machine business. You can't tell a vending machine to collect an extra 12% when something like that comes in place. I've been forced to sell my vending machine business, laying off 5 people and seeing a significant reduction in my income

And last but not the least, I have a dealership for electric motorbikes, and they were exempt from PST because it was a green initiative and it appeared that the government was anxious to get cars off the road and put non-polluting vehicles on the road. But they are now subject to HST and sales are down significantly in that business.

I also feel like I'm an unpaid tax collector right now. I used to get a small amount of money for collecting the PST on behalf of the government. Now I'm collecting more money for no assistance in doing that. So I appreciate hearing your comment.

**Hon. Blair Lekstrom:** All right. Well, [caller] thanks for your comment and question as well.

Obviously, you've been impacted negatively without question. I don't think there's anything I can say to say, gosh, it's just going about it wrong or whatever. Restaurants, there is an impact on when we go out now for dinner, but the overall intent of the HST with businesses - and obviously not all because you've just laid out a very good foundation of the impact that you face directly - is that the HST will eliminate the duplication.

I began to hear about this back in 2002 when I first chaired the Finance Committee in British Columbia where business association after business association came and said, harmonize our PST and GST. And at that time, I began to learn a bit about it. The HST for the most part and again, I'm not speaking

directly to your businesses, [caller] because I think as you've laid it out, I think there is an impact and a negative impact for you. But the broader side of it is, they should save business about \$150 million in administration cost of doing business. It will streamline the process. Rather than filing two - they now simplify it with a single return on the HST.

It also will allow, and in many cases, it will level the playing field. I know many people do compete with the Alberta side where there is no provincial sales tax there at all. When businesses do compete, they now can claim back on their inputs, the full 12% versus before. So I think there's many positives to this. Unfortunately, without sidestepping the question and I won't do that for you [caller], it sounds like you have been impacted probably as significantly as anybody I've talked to on this and I don't have a better answer for you than that.

**Moderator:** Thanks. Let's go to the line now. [Caller] has a question about consultation with the public and why it wasn't done. Minister Lekstrom, rather [caller] go ahead.

**Caller:** Hello, minister. Yeah, I was just wondering, kind of answered this earlier, but why you didn't do this in the first place? And since you pretty much answered that question, maybe I could ask a separate one.

**Hon. Blair Lekstrom:** All right

**Caller:** I think that the government's taking a bit more money out of the pocket - so you said \$350 a year per families. Would the government consider a reduction in the HST in order to make that more of a balance for the individual citizen paying the tax? Maybe a 6% instead of 7%?

**Hon. Blair Lekstrom:** All right. Well thanks for that, [caller].

I know our Minister of Finance has spoken about that as well. It couldn't happen immediately because of the contract we are in with the federal government, but that is exactly what we're doing here this evening, is hearing that. I've heard it from a number of people, [caller], talking about, you know, as we move forward, something that may be more palatable when it comes to the HST is if financially, we're able to to reduce it one point or two points.

The challenge presently is that for every one point that we would reduce our portion of the HST which is the 7% has about an \$800 million impact on the provincial treasury. So right now, we're clearly focused on making sure we get back to a balanced budget situation. I think once we're there which is a couple of years out, those are the type of things that I know we want to look at. I can't promise that in two years or three years, the percentage will drop from 12 to 11, but I do know that that has been a focus of many of the callers we've spoken with.

I know the Minister of Finance has heard that as well. But the key issue right now - I go back to this, I said it earlier, - we're spending more money in British Columbia delivering the services we all enjoy than we're bringing in. That's not sustainable. We have to first and foremost get back to a balanced budget situation and then if we're able to look at taking a point or whatever the number would be off of it, I think that's a discussion that could occur definitely. Thanks, [caller].

**Moderator:** Let's go now to [caller] who ask the question about the HST and single parent. [caller], go ahead.

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** How are you doing? First off, I'd like to thank you for taking my phone call.

**Hon. Blair Lekstrom:** All right

**Caller:** Secondly, my question is this, with the HST increase, you say it only impacts a person \$350 a year. I have to say that I don't fully agree with that because I'm spending on average an extra \$20 a week which is an extra \$80 a month which is an extra \$960 a year on food.

**Hon. Blair Lekstrom:** Wow

**Caller:** Because of the HST. So I see that's a bit far cry from \$350, and if the government knew that they made a mistake, why wouldn't they resurrect it and go back to GST and HST?

**Hon. Blair Lekstrom:** All right. Good question, [caller]. I'll try and answer.

The mistake I talked about was the roll out or how this was ever put forward to the people. That was what I was referring to. I mean, I've made some significant decisions here of, you know, a year ago and made the decision I did because of the unwillingness to engage the public. I'm obviously back now because there has been a change on that front.

But the - and I want to be clear on this - the mistake that I think was made with how this was rolled out to the public, without question, and I don't talk to any of my colleagues who don't agree with that and I think most of the population would agree with that. So we're correcting that.

You made a comment on food that you're spending substantially more. I'm going to answer this in two parts. One, I have to believe that you're referring to going out for your meals, because that is an impact, direct impact. There is not a great deal of food in our grocery stores impacted by this change. There was a limited amount in our grocery stores that when you look at it, was GST applicable before, it is now HST applicable. But the vast majority of the groceries we buy are not impacted whatsoever.

Now, [caller], if you get the chance and I haven't answered your question fully, I'll encourage you to go visit the website - [www.hstinbc.ca](http://www.hstinbc.ca) - and you can find out information on there which will hopefully help you on this. But if there was an impact, it wasn't \$350 a year per person, it was for the average family in British Columbia, the impact is \$350 as well.

I'm just trying to crunch some numbers here. To spend \$20 or more in tax, you'd have to spend \$285 a week on food based on how the HST is applicable today. So, hopefully I'm not saying you're not spending that, but, you know, maybe there's some other expenditures that are coming in that may reflect part of that as well. So thanks for that, [caller].

**Moderator:** And thank you, Minister Lekstrom. We are on the line with Blair Lekstrom the Minister of Transportation for British Columbia. And a little earlier in the call, I asked a feedback question. I have another one now. It's the second feedback question that we would like to hear from you.

I'm going to read the question and the answers twice. Again, select your answer by pressing a number on your keypad and here is the question.

If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose? There are three options.

The first, increase the PST rate. If you want that option, press 2.

The second, raise income taxes or other taxes, press 3 if you agree with that statement.

And run larger deficits is the 3rd option, press 4 on your keypad if you want that.

The question one more time, if British Columbians shows to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose? The three options again.

First, increase the PST rate, press 2 for that one.

Raise income taxes or other taxes, press 3 for that one,

And run larger deficits, press 4 for that one.

And let's go back to the phone line again. We have [caller] on the line and she is asking where the money from the HST is going? [caller] go ahead, please

**Caller:** Hi

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** How are you?

**Hon. Blair Lekstrom:** I'm good. How are you doing tonight?

**Caller:** I'm okay

**Hon. Blair Lekstrom:** All right

**Caller:** I just wanted to know, if we go back to PST and GST, do we get any of the money back from the HST that was taken?

**Hon. Blair Lekstrom:** [Caller], that's a good question and I think it's asked by a lot of people and no, there is no refund on the HST that's been paid to date.

What will take place when the people of British Columbia make their determination on this referendum if a decision is made to maintain the HST, it will carry on as we're doing today. If the people of British Columbia determine they want to go back to the PST/GST, that process will begin. It will take some time



to get us back there. It won't be overnight or within a week or a month. It will take some time to get back there, but I know the government is committed to do it as quickly as possible. But there is no rebate that comes back on the HST that's been paid to date. Thanks for that question.

**Moderator:** If you'd like to ask a question, do remember to press star 3 on your keypad.

Let's go now to [caller] who has a question also about the surplus of the funds generated by the HST and where they will go. [caller], go ahead, please

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Hi. Just wondering, does the government plan to rebate the surplus funds generated from the HST back to the taxpayers?

**Hon. Blair Lekstrom:** I think you're referring to the new money that will be generated from the HST. Right now, [caller], we actually are in a deficit situation in British Columbia. So that means that we're not collecting as much money as we're spending on the services that you and I enjoy and our families and every other British Columbian. So our focus clearly is, there is no surplus money at this point. As I said, we are living well beyond our means and every year that we do that in British Columbia, means our children and grandchildren will pay for our over spending today.

Our focus is to get back to a balanced budget situation within two years, that's the plan and we're going to do our best to do that. If after that time, if after we reach a balanced budget position in British Columbia, if the ability is there to look at new taxation management or so on, we would utilize that money there. But right now there's a reality - we spend, you know in 2001 we spent, and I'll use round numbers, a little over \$8 billion on health care today we spend about \$17 billion so more than double, going to over 18 billion within the next year and a bit. So there's not a great deal of room from what we would refer to as surplus money.

We, today in British Columbia pay lowest personal income taxes in all of Canada on the first \$119,000 of earned income. We have eliminated taxes for low income British Columbians. People that earn \$18,800 or less per year - they now pay no provincial personal income taxes. We've tried to make sure that we live in a competitive province when it comes to business taxes and corporate taxes as well. I think we're finding a pretty good balance.

So as we move forward, if there is excess money or surplus money brought in, I guess the discussion, and that's why we're having it tonight, is what could we do to enhance the HST? Would that be reducing it by a point? Would it be making other alterations and I want to thank you for that question, [caller]. But today there is no surplus money even with the projected increases of the HST, we are still extremely challenged. We run, and I'll just close with this. I'm eating up a lot of time, I know. We spend \$41.9 billion in British Columbia this year delivering the services. 42% of that goes directly to health care, 27% goes directly to education, 8% goes to our social programs, 63% goes to pay on debt. That leaves 17% for every other ministry and service that we enjoy. So the big elephant here is health care without question. Thanks for the question, [caller].

**Moderator:** We also have a question now from [caller] and his question is about low income people and the determination of the amount going back to low income people. [caller], go ahead.

**Caller:** Yes, good evening and sorry for I have a dry mouth. And just thank you very much, minister

And I can back you up, of course, on no income tax on low income because I just want to ask some stuff. My income is approximately \$11,000 per year and I - that's on private insurance, I'm on disability, but through private insurance disability. I don't do it from the provincial government or anything. And speaking of the HST, I was informed I'm just getting a brand new brace for my left leg that, I have cerebral palsy - sorry if I get emotional here. Now that's going to cost me \$1000 from my money of that \$11,000, but if I should be able to get \$150 back from SunLife, but also, if I get a prescription for the \$200 for the shoes, if I get a prescription, I won't have to pay the HST on those \$200 pair of shoes for the brace. So that's good news. So that's \$1000 for the brace, \$200 for the shoes that I have to pay out of my pocket, but that's okay. I'm not complaining because I do live in the best province in Canada and that's good.

But my question is, sorry, my question is, who determines the percentage that goes for the low income people? The percentage that we get in that check that comes to us or whatever that goes along with the GST, you know, in the checks they come in June and January. That's my question.

And a great, thank you very much for inviting me to participate in this phone session. It's wonderful listening and participating. Again, thank you very much. And again, I participate. I'm just involved with Handydart - that's a wonderful system. It's again, and again, I think health care system is wonderful and again, that eats up a lot of money, great health care system and again, it's like I go through private insurance and it's wonderful. Anyway, thank you, minister. Over to you.

**Hon. Blair Lekstrom:** Hey, [caller]. Thanks very much and I tell you what. You got a great attitude there, because I know, I tell people that, on our worst day in British Columbia, we'll have it better than 90% of the world will ever enjoy on their best day, and it's what we make of it.

So you ask who determines the amount that comes back on that, that is us. That's the Provincial Government and you're referring, I believe, directly to the HST credit cheques that comes out or rebate cheques, pardon me, that will come back to you on a quarterly bases. That is really there to help lower income British Columbian, whether it's an individual, whether it is couple or a family. It really is based on the amount you make. But a low income British Columbian, I touched on this earlier, [caller] there's about 1.1 million British Columbians who qualify for this HST rebate cheques which is good news for them. The vast majority of them come out ahead, as a result, of this cheque going back to them.

Thanks for your comment, [caller]. Thanks for your question. Hopefully I have done justice in giving you an answer on that.

**Moderator:** Thanks, minister. That previous question was about low income earners. This question is from [caller] and it's about middle income earners. [caller], go ahead.

**Caller:** Hello there and thank you for having me on. I love to see democracy in action.

**Hon. Blair Lekstrom:** All right, How are you doing tonight, [caller]?

**Caller:** I'm doing okay. I'm happy to be a part of this and to voice my opinion.

**Hon. Blair Lekstrom:** All right

**Caller:** You mentioned relief for the lower income. But I would like to know what relief is in sight for the middle class?

Earlier [caller] with the electric bikes mentioned small business. I did want to bring that up because if [caller] is from the Comox Valley. He lost my sale because of the HST. Mind you if it goes away, I might just go see him if he's from the Comox Valley because I was looking at buying of one of those things.

The reason I bring up small business is because in the Comox Valley here, there's a lot of small businesses suffering. There's a lot of unemployment as a result of small businesses suffering, and I'm not just talking restaurants. I'm talking just about anything. I, for example was starting a small business and it's now sitting in my backyard on hold, because I realized that the market wasn't there. With the increase in the cost of living, now this isn't all about the HST. For example, food prices are impacted by the HST in... I'm getting tongue tied here because there's so much to say - But food prices for example, they go up when gas goes up, they stay up when gas comes down. Gas goes up a little again, food prices go up, gas stations come down again, food prices stay up. If there's a little bit of profit in, you're way of in the back water somewhere in the back side of the world, wheat prices go up everywhere. So the HST on top of that...

**Hon. Blair Lekstrom:** All right?

**Moderator:** I think we lost him. I think the question though was, minister, what relief is there for middle class people?

**Hon. Blair Lekstrom:** I think and I'll try, and he covered [caller] you covered a great deal of ground, I'll do my best.

I guess the average impact, I said this earlier but I wasn't sure if you were on the call or not. There was a study just came out that for the average family in British Columbia, and that's obviously from the low end to the high end, so this is an average, the impact is \$350. The benefit, whether we talk, the HST or the province in general, probably some of the most significant things that we're able to talk about here in British Columbia, we now pay the lowest personal income tax in all of Canada for the first \$119,000 of earned income. I think that is a significant issue for all of us. The benefit, whether you'd be low, middle or high income as a result of the HST, this allows our province to be competitive with other jurisdictions. I've said this to different people I've spoken to and I believe I've reiterated that tonight - governments don't create jobs, we create an environment where the private sector will invest their money, that's who creates a job for you and I and our family. So we have to ensure that we are competitive. That's first and foremost because without a job, very difficult to spend.

You did mention that food prices have gone up. The HST is applied only on the items in a grocery store that was GST applicable before, not a great deal. The vast majority of products in grocery stores, in our staples we buy for our day to day cooking and at home, the HST has no impact whatsoever. So if I haven't answered your question fully, I'll refer you to the website as well, [caller]. It's [www.hstinbc.ca](http://www.hstinbc.ca). There's a great deal of information on there, in it's most basic form, what does the HST do for middle income or high income people because I think we've covered the low income side. It allows us to be competitive. It allows us to make sure we continue to create jobs, allowing our families to make a living and provide for themselves. So thanks for the question, [caller].

**Moderator:** Minister, we have a question from [caller] who wonders about the HST panel and the numbers that the panel came up with and go ahead, Bruce.

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Hi, Mr. Lekstrom.

**Hon. Blair Lekstrom:** How are you doing?

**Caller:** Hello. Can you hear me?

**Hon. Blair Lekstrom:** Yeah, I can

**Caller:** I'm doing good. How are you?

**Hon. Blair Lekstrom:** I'm doing well. Thanks

**Caller:** My question is, were you aware of the adjustment to the table on page 8 of the panel's report, the cost of the HST versus the PST? There was an adjustment put through on the numbers for the PST on that report of \$1.28 billion which was done to reflect the 90% of PST savings that the panel is assuming would be passed through to the consumers. So if we took that adjustment out, the cost to families of the HST rather than being 1.3 billion, would be 2.6 billion. So that's a very significant change and it's questionable. We don't know if 90% of the cost are going to be passed through or 10% or none. But anyway, on a cash basis, families are paying \$2.6 billion more. Furthermore, that impact the economics, the 24,000 jobs that they're talking about now, cost \$100,000 each to create. The growth at the end of 10 years is equivalent to only 1 year of the extra tax paid by the families. So I guess my problem is I don't see a lot of sound economics behind the HST.

**Hon. Blair Lekstrom:** All right. Well, thanks [caller] for that.

The report you're talking about, that's an independent panel, independent of government that did that. I won't have a good answer for you - it's a technical question that I, I won't be able to give you an answer to this evening, [caller]. You can stay on, if you're at the completion of this call that we're on there's an opportunity to put that forward at the end of the call by [leaving a] recording.

But the one thing that does happen here is there has been the question you raised it here as well. We're not seeing businesses pass on their savings to us - and you know what? I think that will take some time.

But the studies that had been done, if you look at the Atlantic Provinces or the other jurisdictions that have implemented an HST, those savings are being passed on to the consumer now. I think it is going to come down to good business practices and really the competitive nature of our business sector here. British Columbians will go to where they get great service and are treated properly and I do think our business community is going to recognize that they're going to have to work with this. If they realize savings, and they will without question from what I've looked at and studied, if they think they can put it all in their pocket and not pass on some of those savings to their customers, I don't think they're probably going to stay in business anywhere near as long or prosper as well as the business that shares that with their customers. That's the best I can do for you, [caller] tonight on that question. Difficult one but well thought out. Thanks.

**Moderator:** We are on the line with Minister Blair Lekstrom, the Minister of Transportation for British Columbia, and again, if you would like to ask a question, press star 3.

We have a question on the line now from [caller] who asked about the cost for seniors, Cost of things that are medically necessary. Go ahead, [caller].

**Caller:** Good evening, Minister Lekstrom.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** My question has to do with supplements over prescriptions.

I currently pay about \$550 a year for supplements. First is \$100 for prescriptions, I'm a senior, there are far less side effects with supplements than prescriptions and I'm wondering if there's going to be anything done with the federal government to allow supplements as a medical expense? Because there's you know, I'm a low income senior, and I'm paying an extra \$50 a year on tax just on supplements. I wear compression stockings, they are prescription and yet, the HST has been added onto that. I belong to a senior's group, costs have gone up over 30% in the past 4 years, belonging to the senior's group and I'm just wondering what you are going to do about helping seniors as far as those extra expenses that have come on them? And I don't qualify for the rebate unfortunately.

**Hon. Blair Lekstrom:** All right. Well thanks [caller] for that.

And you know, your question really is why we're here tonight. What are we going to do? You've made some suggestions here and I'm going to take those. The whole intent of tonight's call is to hear ideas like you've just put forward, such as your issue on the supplements or impact on your, whether it be the membership for the seniors organization.

The one thing, and I'm not sure I heard you say that, the HST is not on prescription drugs at all. So that's important and I'm not sure that I heard you say that. I just want to make sure that in case I left any confusion in anything I said previously.

But [caller], the whole idea of tonight's phone call is to hear from people just like yourself on, you know, here's what you pay now, here's the impact of that HST is having. Why don't we consider looking at

changes to it as you've put forward? I would take those just like every caller this evening and the previous calls we've had, put that in to our mix and what we're looking at and see what we can do. But thank you for the question and the suggestions.

**Moderator:** We have a question now from [caller] who seems to have a bit of taxation fatigue. He wonders why the government seems to believe that higher taxes are always the answer. Go ahead, [caller].

**Caller:** Yeah, Minister, good evening and thank you for letting me participate here. This is actually quite a unique thing and actually the more I listen, the more I find what I'm going to say.

But anyway, that seems to be the gist of it and this isn't just a provincial government, federal government, every level of government seems to believe that if we need more money, we'll just crack up the taxes. And Translink in Vancouver, 'well we need to raise \$40 million to do this, so we'll just crank up the taxes'. And you know, quite frankly, the bucket's pretty empty. I mean, I'm a middle income earner; my wife and I both work full time. We're carrying a mortgage and we're, you know, we have three children and two cars. Between the cost of fuel and all the rest of it, I mean, my income has, my wages have increased .5% in the last 3 years because I work in construction and we've taken a major hit in our economic sector. You know, I just, I just got to know when the bucket's empty, I just don't know where the solution is. That's about it. Thank you.

**Hon. Blair Lekstrom:** All right, well, thanks, [caller].

And you're right. I mean, whether it is the provincial government, the federal government or local government, it comes from you and I. And people sometimes - I enter discussions with people and it's like they don't think I'm a taxpayer. I mean, first and foremost, I'm a British Columbian, I happen to also have the honour of being an MLA and serving as a minister of the crown.

But the one thing, [caller] I think this is a two edged discussion that takes place. Most of us, and I include myself in this - I catch myself - you know, wanting more. I want more services. Gosh, I think we could do a better job and spend more money here, and then on the other discussion I have with my friends, I don't want to pay more. And there's just something that we've got to be able to figure out, not just as government, but as all of us together. We can't continue to say I want better health care. I want better transportation. I want better social programs. I want better education and I've served now for 10 years in this position and before that I had the honour of being the mayor of Dawson Creek. It's pretty basic - if we want more, it's probably going to cost us more.

I think the days, and we did go through this, I think there was a lot of efficiencies found at all levels of government. I think there's always room to improve, but the old days of saying I want you to do more with less, I think we are in a world of today that we're going to do less with less, and that's the reality of what we say. We also though, we've tried to do our best in British Columbia, and I think we should all be proud.

I don't know if you were on the call, [caller] when I talked about what we've done with personal income taxes. We now pay the lowest personal income taxes in all of Canada for British Columbians that are up to \$119,000 of income which puts us in first place in the country on the lowest tax bracket. Also low income earners who earn up to \$18,800 of income a year pay no personal British Columbia tax now. So with all of our taxes considered - and there's a number of them and so we can't sidestep that - when all taxes are considered British Columbians, generally, have one of lowest overall tax burdens in the entire country.

So I'm hopeful. I know that there has been some challenge in your sector, but I do think it's rebounding and I think you got a very bright future ahead of you and I'm going to be very hopeful that you see that happen very soon. Thanks for your question.

**Moderator:** We have about another 20 minutes or so on the call this evening and we will try and get to as many calls as we can, probably have enough time for about another four. However, do stay on the line because if you, if we don't get to your question, you will have a chance to give your feedback at the end of the call. So I would encourage you to stay with us as we go through these last few calls here.

Let's go now to [caller] on the line who has a question about the cost of the administration of this tax. Go ahead, [caller].

**Caller:** Mr. Minister.

**Hon. Blair Lekstrom:** How are you tonight, [caller]?

**Caller:** First of all, let me tell you that I believe this is an extremely refreshing forum and I'm very glad to be part of it.

**Hon. Blair Lekstrom:** All right, thank you.

**Caller:** My question has to do with the administration of the various taxes. My understanding was that the PST was a fairly administrative and a heavy tax to collect and then HST actually is less so. And if going back to PST would increase the cost of administration from as government perspective, that concerns me. So could you comment on the cost of administration please?

**Hon. Blair Lekstrom:** All right. Well, great question, [caller].

The cost to the province is zero. We actually, there's a net savings of \$30 million by going to the harmonized sales tax, the Federal Government actually will deal with this now. So it's a net benefit when it comes to administrative cost here in British Columbia. So hopefully I've answered your question.

I do want to echo your thoughts. This is the third telephone town hall that I've had the opportunity to participate in. I can tell you, going into the first one, I didn't know what to expect. I've never participated in one before. I'll tell you, it's an amazing way to engage the people of British Columbia on major issues. I think this is a format that not only in our government, but probably other governments are going to look to and see how well it worked. I can't say enough about, you know, how this works and the people



that are willing to take some time out of their busy lives to participate. They don't have to leave their family home or wherever they're at. They can participate wherever they are. I think, I praise this method as well, it is a great way to do it, [caller].

**Moderator:** Thank you, Minister. And going now to [caller] on the line who wonders about the HST as opposed to just raising income tax. [caller], go ahead

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Well, hello. I accept and I understand the government needs more tax money. But I just want to understand what is the argument that the HST is a better way of raising that money rather than raising income tax particularly on high income earners?

**Hon. Blair Lekstrom:** Well, I think first and foremost. It really allows us to be competitive. I talked about this before. There is, the global environment which we live and it's just not an issue that we can be (??). We live in it whether we like it or not. So we compete with every jurisdiction not only in North America but around the world for people to invest their money and when they invest their money, it's a private sector that creates the jobs.

So I think that's a very good way, a great way to actually not only be competitive, but allow tax revenue to come in. We have found that through our taxation structure and I spoke earlier on this and I'll maybe just quickly touch on it, we are trying to be competitive when it comes to personal income taxes whether you're a low income of which you pay none in British Columbia - if you are an \$18,800 a year less. You pay the lowest personal income tax in all of Canada on your first \$119,000 of earned income. High income earners do pay a great deal of income tax and the reality is, I'm thankful that we have some high income earners in this province for a number of reasons. Certainly, first and foremost, I think it's because of the quality of life we get to enjoy here, but also because of our competitive tax structure for personal income tax people earning, you know, whether it'd be 150, 200, 300,000 and I know there's a lot of people that earn far more than that pay a great deal towards our economic well being in the sense of helping us deliver health care, education and so on. So it's a balance. You try and find that balance on personal income tax, on small business, on corporate taxes. The HST is a tax that is being utilized around the world today. There hasn't been anybody implement a sales tax like our PST. I think for about 30 years now and I think it was the Barbados was the last one that went to it and one year after they implemented that, they actually got rid of it. It's just not the format of taxation that works the best in the world in which we live today. Thanks for the question, [caller]

**Moderator:** We are on the line with Blair Lekstrom, the Minister of Transportation for British Columbia taking your call. Going now to [caller] who wonders about increasing taxes as opposed to cutting spending. Go ahead, [caller].

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hello? Hi

**Hon. Blair Lekstrom:** How are you?

**Caller:** Good. How are you?

**Hon. Blair Lekstrom:** Good. Thanks.

**Caller:** I do think this is a good way of communicating with British Columbians. The first time I've been involved with this.

I think it was [caller] who was asking earlier - he mentioned the prices, the cost of living in BC has gone up dramatically in the last, in the last two years even. And I have a budget at my job that I do and if I have to spend more than what I'm bringing in, I have to manage my spending better, I don't just take more away from the source.

Now, I'm wondering what you have or what the government has planned to control the spending instead of just taking more from British Columbian? Because I am, I think we have less services now than what we had before and with regards to education especially.

**Hon. Blair Lekstrom:** All right. Well, that's a great question and you know, when you talk about controlling spending, I couldn't agree more.

The challenge is, I can tell you as an elected official and I can probably speak for every level of government, it's very rare we get a call like what you've just put through to us to say, you know, control your spending. The vast majority of people I've dealt with through my office as an MLA have said, 'Blair, you know what? I want you to spend more on X or Y.' That could be education, it could be health care, it could be social programs.

The challenge we have as governments, we've made some pretty difficult decisions in our 10 years of government. I think we have made our province stronger. I think we are more competitive and we are continually looking at controlling spending. The biggest challenge, you touched on education, though we've increased the K to 12 education funding since 2001 I think by the tune of about \$1.7 billion. I'm going off the top of my head. It's well over a billion dollars on that. At the same time, we have tens of thousands, fewer students in our school. So, you know, it is a tough balance. If you've got ideas, [caller] and this what I always encourage people to do, you know, throw them forward.

It's a difficult position and I'm not going to sidestep a question that says, 'how do you control your spending?' When at the same time, you know, we spent \$41.9 billion to run the province of British Columbia and 42% of that goes to health care, 27% goes to education, 8% goes to social services, 6% goes to our debt. That leaves only 17% left of the \$41.9 billion to deliver any other service that we want for ourselves and our families.

So difficult question. If you've got ideas, [caller] I'll encourage you to go on to [www.hstinbc.ca](http://www.hstinbc.ca) and there's an opportunity there to put forward. There's a survey as well you can comment on. But throw your ideas down there. That's what we're looking for through this kind of discussion tonight and I agree, as I said earlier. This is a great way to communicate with British Columbians and engage on some pretty important issues for all of us. Thanks, [caller].

**Moderator:** We have about another 7 minutes or so on the call this evening and time for a few more calls on the line. [caller] is asking about how the HST will make British Columbia more competitive. Go ahead, [caller].

**Caller:** Yes, minister. I understand that value added taxes are much more competitive than raising income tax and I was wondering how much will this harmonizing the tax make BC more competitive? Because if we're more competitive, then we can afford more programs.

**Hon. Blair Lekstrom:** All right

**Caller:** Minister?

**Hon. Blair Lekstrom:** Great question, [caller].

I think probably the straight up answer to that is the HST will put BC on a level playing field with our domestic and international competitors. I spoke about that earlier this evening I think on a number of my answers that we compete globally now for investment to come to our province and I say this many times that government is in a position where we don't create jobs but we create the environment for that private sector to invest their money. That's who creates the jobs for you and I and our families. If we're not competitive, that money will go elsewhere which is a huge challenge.

Right now, there's over 140 countries and five other provinces that have this value added tax like the HST. I think it goes a long way to helping our businesses be competitive. It helps, you know, if they save money or are able to put some more money in their pocket, you know, traditionally what it shows us is they hire more staff. They put more people on the floor of their business. In turn, it means job opportunities for you and I and our families.

You know, I live in Dawson Creek, I come from the north and my goal is to ensure - not just from where I live but for anybody in this province - if you're working in an area and for instance you have a family growing up there and your children are there, if they want to stay and work there, I'm going to do everything I can to ensure that you got an area where the private sectors invested, creating jobs for your family to stay where they grow up. Doesn't mean that lots of our children won't move away and go elsewhere, but if they want to stay where they've grown up, we got to have jobs for them to stay there and in order to do that, we got to be competitive. So thanks, [caller].

**Moderator:** A couple more questions now. [caller] wonders on the line if it is fair to charge 12% HST for the purchase of new homes. Go ahead, [caller].

**Caller:** Yes, my question is with young people who are starting out buying new home. 12% is almost an (??) I think to say for the down payment and then they have this 12% to pay on top of that for the HST especially apartments and new land and all that. I just want, if you've been able...

**Hon. Blair Lekstrom:** All right. Sorry, [caller] I jumped in there.

**Caller:** I just wondered if there's any - and it could be anything like a rebate or something – to, especially, [help] first time home buyers with the HST?

**Hon. Blair Lekstrom:** You know what? You could probably work in the Ministry of Finance because that is exactly what we do here in British Columbia. We have a rebate for home purchases. The HST only applies to new residential housing as well. So if you purchase a home up to \$525,000, you will get a rebate that you recover your HST cost; which is good. Most of the homes, about 75% of all homes sold in BC are resale, the HST doesn't apply to those which is very positive.

So home sale, it is difficult I think for new home purchases if you're going over \$525,000 although that sounds like a great deal of money, in the lower mainland and on the island it obviously can exceed that. But new home purchases valued at \$525,000 or less, you will be made whole through a rebate.

**Moderator:** Okay and I think we have time definitely for one more question. [caller] is on the line and wonders about exemptions of products in British Columbia, exempt from the HST. Go ahead.

**Caller:** Hi. Thanks for taking my call. The problems in Ontario when they implemented HST, they have an exempt point of sale rebate. A point of sale rebate as they call it. Has this been considered at all? Because this covers like children's clothing and footwear and a variety of other products.

**Hon. Blair Lekstrom:** All right, it's a great question.

We actually have that as well. There is a requirement by the federal government that you can have no more than 5% exemption in what you collect. A big part of ours, [caller] has been eating up in motor fuels - we actually exempted gasoline and diesel and so on, Ontario didn't do that. We're the only Province, I believe, that has an HST that has exempted that. So that has eaten up a great deal. Children size, clothing is exempt. Books are exempt. There's a number of other things [caller] if you have the opportunity to go online and again I'll point this website - [www.hstinbc.ca](http://www.hstinbc.ca) - it's a great website, full of information, but we have exempt point of sale rebate as well. So thanks for that question

**Moderator:** And Minister, we've actually come to the end of our call at this time and before I turn it over to you for some closing remarks, I do wish that the callers will stay on the line because if you didn't get a chance to comment or ask your question, you still have an opportunity to do so. If you stay on the line when this call is finished, you will hear a prompt and then you will be able to leave a message.

So I do thank everyone for participating this evening. It has been a very fruitful call, I think, and Minister I give you the last word.

**Hon. Blair Lekstrom:** Well, thank you very much, Allison and thanks for your work here this evening as well.

To everybody who has been on this call, I want to say thank you. I have heard numerous people talk about their thoughts of how this call has worked and I think I share that view without question. It is a great way to engage the people of British Columbia. As I said earlier, in this discussion when it began at

about 7:30, I can see this method of engagement continuing not just in British Columbia, but I know other governments are going to watch closely.

As we go through this, I encourage people to make sure that if you have the opportunity to go to the website and have a look at it. You can also participate in survey that's on there and comment on it as well. There's a great deal of information.

You're going to be receiving packages at every home in British Columbia that will outline both the pros and the cons for the HST. I encourage you to engage in discussion with your family and your friends. If we can make the decision in British Columbia based on factual information whichever side that comes from and however you digest that, that's going to be very important. This was an emotional issue. How this was rolled out, I think caught British Columbians by surprise without question. Government has learned from this without question not only our government, but I can tell you governments from across the country have watched what has transpired here in British Columbia.

I'm proud to be part of a government that has recognized and admitted that the way we rolled this out originally was not acceptable and now, to be able to go out and engage British Columbia, they earn the right to have their say in this. This is not a position the government has given as a government, the people of British Columbia earned their right to have a say. What I'm going to do is my utmost best to ensure that all of us, we have an opinion, that I do my best to make sure we have an informed opinion.

And with that, Allison, I'm going to say goodnight to all. Thank you so much again for participating and I look forward to your participation in the referendum that's upcoming. Take care and have a good night, everybody.

## MID & NORTH ISLAND, SOUTH COAST TELEPHONE TOWN HALL SUMMARY

Date: May 10, 2011

Host: Minister of Transportation Infrastructure, the Honourable Blair Lekstrom

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
162,657	39,109	24,624	19	63%	467	24

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this was the eighth of eleven regional town halls conducted by Government with British Columbians.

Minister Lekstrom responded to 24 questions and/or comments during this call. Issues that arose from citizens of Mid and North Vancouver Island included the following:

- Exemptions or mitigations for specific products or industries: First time home buyers, consumers who eat at restaurants, small businesses in tourism, food services, energy efficient vehicles, supplements, pay down the debt
- Raised issues with the economics of implementing the HST, how the HST will make the Province more competitive and the merits of a consumption tax versus income taxes.
- Rate reduction and taxation fatigue caused by all levels of government.
- Callers were concerned about the administration costs, the cost to the Government in the event of a return to the old PST + GST system and how government will meet the revenue gap.
- Impacts on seniors, lower income British Columbians, middle class and small businesses were all raised.
- Inquiry about whether a rebate of HST paid will be provided if British Columbians' chose the PST + GST system.

A few callers voiced their displeasure at how the tax was introduced and government spending taxpayer dollars to defend the HST. Many people also thanked the Minister for using this type of technology to communicate

Confusion remains about the application of the tax on specific products (prescription drugs) and one caller asked whether the Province can have point of sale rebates like Ontario has implemented.

**May 4, 2011 Transcript: Interior and North Coast Telephone Town Hall**

**Moderator:** Hello. And thank you for joining tonight's HST town call with Jobs, Tourism and Investment Minister, the Honourable Pat Bell. My name is Sarah, and I'll be your moderator for this call.

Before we begin, I'd like to review how this call will operate. The Minister will begin with some short comments and then we'll proceed to live question and answers. If you want to ask a question, press star 3 on your keypad at any time. Please note that this call is being recorded and will be transcribed. If you don't want your comments to be transcribed, please remain in listening mode. So that we can hear as many question as possible, we ask that you keep your question short and to the point. When you press star 3, an operator will ask you a few questions, including your first name. You'll then be put in a queue to ask your question.

We want to hear a wide variety of questions. The operator will try to reduce duplication. When you hear me announce your name, your line will open and you can ask the minister your question. After you've asked your question, you'll be muted for the minister to respond, and you'll be returned to the listening mode. To ensure that the Minister hears as many views as possible, we won't have time for additional question. Please use appropriate language. Anyone using profane or expletive language will be cut off.

Later on the call, you'll be able to provide your feedback on the HST by answering a couple of multiple choice questions. This is not a scientific poll, but it is an opportunity for the government to hear your opinion on some key questions about the HST. Thank you for your patience. We may not get to everybody who has a question tonight, but there will be an opportunity at the end of the call to leave your comments in a recorded message. Again, press star 3 on your keypad at any time to ask a question.

I'd now like to turn this call over to the Honourable Pat Bell for his opening comments. Minister, please go ahead.

**Hon. Pat Bell:** Well, thanks very much, Sarah. And welcome everyone to this telephone town hall. I'm glad you could join us here tonight. I know we have people ranging all the way from Kamloops and down in Lillooet up to Prince Rupert to Terrace, all the way through to Prince George, McBride, Mackenzie through to Kamloops. So I'm very, very pleased to have everyone on. We are joined tonight on the line by my colleagues Kevin Krueger, John Rustad and Terry Lake and here in my office in Victoria by Shirley Bond.

I'd like to start out just by walking you through a few quick comments. I'm going to, I want to get to questions as quickly as I can, so we can get as many questions done as possible. The objective here this evening is to hear from you on how we might be able to improve the HST. As you know, when Premier Clark was first elected as the leader of our party, as the premier of the province in March, she acted on her commitment to move up the HST referendum date from September to June. And we do have some critical dates to pay attention to coming up over the next couple of months. So we wanted to engage quickly with British Columbians to talk to them about the tax issue and how we can improve upon that. Frankly, we absolutely understand, we did a poor job of rolling out the HST. People were concerned. Shirley, I, Kevin, John, Terry all heard that from many of our constituents. And although we tried to get



to as many people as possible over the last year, we know we can't get everyone. And that's why we've decided to pursue this option with the telephone town halls. The referendum is right around the corner. So it's absolutely critical that we make sure that everyone has the facts. And however you choose to vote, our goal is only to make sure that you have all of the information that you need in order to make a good decision. And the good decision for you, whether we stay with the HST or whether we return to the old system of having a PST and GST, the old two-tax system. So we want to be absolutely straight up with you this evening. This is not a sales pitch. There is no motivation to steer you in one direction or another. I simply want to provide all of the information to you. In addition to tonight's call, there are three additional sources of information that are available to you. The first one is a website. I mentioned this a few times tonight. It's [www.hstinbc.ca](http://www.hstinbc.ca). It has a really good question and answer section, as well as an input section that you can put in your own personal information, and get a better sense of the impact on you and your family. The second is, after the May 24th long weekend, there's going to be a series of public dialogues on HST around the province, hosted by different universities and colleges. We believed that was the fairest venue to offer that sort of information. And we felt that as third party institutions, they'd be able to provide you good credible information. In addition there will be a voters' guide coming out to every household in British Columbia in early June, along with the summary of an independent panel report on HST that I'm going to refer to herein, in just a second. Today in fact, there was a new report released. It is an independent panel report on the HST, and it was authored by four individuals: Jim Dinning, who was previously the Finance Minister in Alberta; George Morfitt, who has a long, long career as a Chief Financial Officer and he also served two terms as the Auditor General in British Columbia; Tracy Redies, who is the CEO of Coast Capital Savings, which is Canada's third largest credit union outside of Quebec; and then John Richards, who is professor in the School of Public Policy at Simon Fraser University and trained as an economist.

I want to point out here the last three paragraphs of the summary of the report, because I think it's particularly important. It says the process of preparing this report had shown us that the debate over the HST and PST/GST remains filled with factually incorrect information. We believed that better information, including the good and the bad, about each tax is critical for there to be a successful, informed referendum, no matter the result. Citizens usually leave tax policy questions to the provincial government. During the summer's referendum, British Columbian's will make history. You'll decide the future of the HST. The question before you is, are you in favour of extinguishing the HST, the Harmonized Sales Tax, and re-instating it with the PST, the Provincial Sales Tax, in conjunction with the GST, the Goods and Services Tax? And that would be a yes or no answer. They close their comments by saying, "our job is not to tell you how to vote. It is to look at the facts and offer our best analysis. Now, it's your decision." And with that Sarah, I would like to open up the lines, because tonight is about hearing from you and hearing how we can make sure that we provide you the best information that you need to make your decision.

**Moderator:** Thank you, Minister. Let's remind everyone that if you want to ask a question, please press star 3 on you keypad at any time. Minister, it's going to take a few minutes to get everybody on to the call. We're dialling a number of households tonight. So while people get ready to ask you a question, let me start off by asking you one I think a number of them will be asking themselves. Why does the

province choose to hold the HST referendum using a mail-in ballot? And when can people expect to receive their ballots?

**Hon. Pat Bell:** Well, thanks Sarah for that. And those are pretty good questions; so I appreciate easy ones to start out. The key purpose for us was really two fold. One was to make sure that everyone could get engaged in this ballot process. If you have a single day when there is a referendum, often times people are busy. We all live busy, busy lives. We're unable to get to the poll. It's unclear where the polls are. And not everyone is able to participate in the referendum process. A mail-in referendum allows everyone to get involved. The other big issue is it's an \$18 million difference. If we were to have a regular referendum that required everyone to go out to the polls and establish polls, and do the counting process through the normal electoral process, that's about a \$30 million price tag. The mail-in process is about \$12 million, so it's an \$18 million savings. We think that's absolutely critical.

If you have not received your ballot in the mail by June 24th, you should get on the phone immediately and contact Elections BC. It's in the Blue Pages of your telephone directory. It's also of course available online, to make sure that you get the ballot forms that you are entitled to. The last day for Elections BC to actually, physically receive the ballot is July 22nd. So that means you've got to get it in the mail well before that. So I know I'm going to be getting my ballot in the mail as soon as I receive it. And I'd certainly encourage everyone once you feel you have adequate information on this very, very important issue to do the same. So hopefully that answers the first question, Sarah.

**Moderator:** Minister, thank you for that. We have a call from [caller]. He wants to know how the HST can help the average person if he thinks it's costing them more money. [Caller] are you on the line?

**Caller:** Yes.

**Moderator:** [Caller], please go ahead.

**Caller:** Yes. Yes, that's the question. I want to know how they're supposed to help an average person. I know myself, I'm on fixed income. I'm on a medical income, I cannot work. And you take an extra \$800 or \$900 out of my pension every year, which is monthly. How am I supposed to get by?

**Hon. Pat Bell:** Oh, well [caller]. Thanks so much for the call. I appreciate that. So there's a few things that you may or may not notice. The province actually added money to the GST rebate cheques. Now, I know there's been some confusion over this. Because some of the cheques were direct deposited straight into your account. So people didn't become aware that the amount of money got larger. It's \$230 per person. So in a family of two, it would be \$460. And then, of course, it will get much larger than that for larger families. So that's eligible, typically, for people in your situation, a pensioner on a fixed income. In addition to that, some of the real key opportunities, just providing for the social services that I know you and everyone else in this province is looking to. The HST is an important revenue stream for the government. We absolutely acknowledge that. And the health care cost that we continue to see escalating at an increasing rate. So it's important that the province have that ready source of income, that's it's able to use now to provide those services. So [caller], that's just kind of a couple of the key areas I provide you with some thinking early on.

**Moderator:** Thank you, Minister. We have a question from [caller], who's interested in asking you about taxing – or why the government is taxing house related items, like bicycles and sports equipment. [Caller] are you on the line?

**Caller:** Yes.

**Moderator:** [Caller] please...

**Caller:** Yeah, my question is, why do tax things that do with your health, bicycles, basketballs, things like that. Your heating in your home, your electricity. Now, why are those all charged with the HST? And why isn't it neutral? They say it's neutral, but it isn't.

**Hon. Pat Bell:** Well, thank you much [caller] for that. I appreciate it. And I want to touch on a couple of things. You mentioned home heating fuels. And this is one area where there's been a tremendous amount of confusion. And I absolutely understand why that's the case, because on your bill, on home heating fuel, it actually says the HST. But if you do the math on it, what you'll find is that the HST component is only 5% and not 12%. It used to say GST and it was 5%. And that's the same today. So there is no HST, or the 7% provincial HST is not applicable to any home heating fuels. That also includes, by the way, things like firewood and pellets. You'll have to apply for a credit for that, because we weren't able to deduct those at stores. But electricity, oil, heating oil, natural gas, all of those products are exempt from the provincial portion. In terms of things like bicycles, bicycle helmets, sports equipment, that sort of thing. Some of those things, sport equipment, did have some taxes associated before on them. But something like bicycles in fact didn't and you're quite right to point that out. That's the sort of thing we'd like to hear from you on. And if you think bicycles are a key element – you believe it's important for an exemption – then we want to hear that. We'd like you to make sure that your voice is heard through the various opportunities available to you.

**Moderator:** Thanks, Minister. We have a question from [caller]. She's interested in – if we keep the HST, will you be able to increase the number of exemptions for things like restaurants? [Caller] are you on the line? [Caller] are you there?

**Caller:** Yes.

**Moderator:** Please go ahead.

**Caller:** You just asked my question. If we vote to keep the HST, will you make some adjustments and exempt things that were exempt from the PST before, but are now charged HST on?

**Hon. Pat Bell:** Thanks, [caller]. I appreciate the call tonight. And in fact what you're pointing out is exactly one of the things that we're hoping to hear this evening, what people think is important in terms of the current exemptions and what other sorts of exemptions should apply. Now, I've already made a note here and the notes that I'm taking this evening – that you believe that we should consider restaurant meals as one of the areas of exemption. But there is another opportunity for you, as well, to provide that feedback. Again, it's [www.hstinbc.ca](http://www.hstinbc.ca). And there's a place in that website where you can say, you know what? Generally, I understand that HST, but this part of it really bothers me. We heard from

[caller] a few seconds ago that bicycles are an important area for him. [Caller], for you it's restaurant meals. So it's those sorts of things that we want to hear.

I should explain how we landed on the original exemptions. The federal government gave us the authority to exempt up to 5% of the products by value. We chose to exempt motor vehicle fuels, home heating fuels – because Shirley, and, I, and Kevin, and Terry, and John, all know how important that is to our constituents in Northern British Columbia. So we thought that was a very important one to exempt. It didn't leave us much room. But as we move into 2012, we do have the ability to exempt some of those areas. But the big ones clearly would be the fuel. So I hope that answers your questions [caller].

**Moderator:** Thank you, Minister. We have a question from [caller] right now, how are we going to pay for the reinstatement of the GST and the PST. I'm sorry. How much it's going to cost that to reinstate the PST and GST? [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Yup, I just wanted to know if we do get rid of the HST, how much after it's going to cost, just to re-organize and put all the people back in place to collect the PST and the GST?

**Hon. Pat Bell:** Well, thanks [caller] and I guess some of the quick and simple numbers I can give you. The federal government provided us with \$1.6 billion as a transition fund. We inserted that into our budget over three years. So that \$1.6 billion clearly would have to be paid back to the federal government. That is about \$80 or \$85 million a year in interest cost for the province. So just to give you a bit of a flavour, and of course that's depending on interest rates and we're at very lower rates now. One of the other key costs of this is we would have to rebuild the department that would collect the PST. Our experience says that's about \$35 million, in that range. And then that would be the cost of actually re-assembling the process. Because the other thing frankly that concerns me, as well, is that the duplication cost for small business is enormous. I think in the order of \$150 million per year. And you know that as someone that has been in the small business world for many, many years, the last thing that I wanted was to have was a duplicated system between two levels of government when I was basically providing them similar information. So I've got to tell you, and I'm not sure, it'll probably a \$1.6 billion that translates into \$80 to \$85 million a year in interest costs. Now the \$35 million. So pretty quickly over a \$100 million a year in direct cost.

**Moderator:** Thanks, Minister. I just want to remind everyone that if you want to ask a question, please press star 3 at any time. We're going to go to [caller]. She's got a question about exemptions, Minister. And whether or not it would be possible to exempt food in restaurants. [Caller] are you there to ask your question?

**Caller:** Yes. That was the question. If the HST, if we could just exempt restaurant meals, maybe people wouldn't be so upset?

**Hon. Pat Bell:** Well, thanks [caller]. And you're the second caller, so we're starting to get some direction here. And so are my colleagues Kevin Falcon and Larry Lekstrom. Other calls, other parts of the province tonight. So again, I would just ask you to also go to [www.hstinbc.ca](http://www.hstinbc.ca). And perhaps register your thoughts there as well. But I've got it down in my notes, and why we're here tonight is to listen to all of you and make sure that hopefully we can respond in a positive way. And give you the information that you need prior to actually voting on the HST in June.

**Moderator:** Thank you, Minister. You have a question from [caller]. She's wondering what we can do to ensure that business is passing along HST savings. [Caller], are you there to ask your questions?

**Caller:** Yes, I am. It's [caller] here. I wanted to find out what are you doing as a government to make sure the consumer is receiving the rebate, because what's happening with the HST when you take your vehicle in to get fixed? You're now paying taxes on services with extra percentage that you didn't do before. The same with restaurants. I think that answers the same question as what the other people have been asking. So what I'm looking at, is I want to know, what are you doing as a government to ensure that the businesses are passing on the savings, because they're now collecting that tax. But less than taxes before on services. So realistically could be the service rate be reduced by about 5%, because that's what you're paying more? But right now, I don't see the businesses reducing that rate. What are you as the government doing to ensure that those businesses are going to reduce that rate, so that the consumer at least is not paying extra taxes for those services that we never paid for before?

**Hon. Pat Bell:** Thanks, [caller]. I appreciate it. So that one thing I just wanted to make sure that was clear. You mentioned vehicle repairs, something that didn't used to be taxed under the PST-GST system, but is now. That in fact is incorrect. Vehicle repairs were always taxed by both PST and GST. And now, it's the single HST. So it's 12% before, it continues to be 12% today.

But your point is an absolutely critical one, that is, how you get businesses to flow through with their savings? So that same car dealership that you got your car fixed at, they would have in the past paid PST on what they call shop supplies. So that's rags, and bolts, and nuts, and all that kind of stuff and they no longer pay them. So they don't have that cost built into their system. And they should be flowing that savings through to you as a consumer.

The report that came out today, they did a detailed study of HST implementations in other provinces and what they found was that although it did come back, the reduced cost didn't come back instantaneously. It does come back over a period of a few years and it particularly comes back in the restaurant industry, which is incredibly competitive. I can tell you that from personal experience that the restaurant industry is always out fighting and trying to maintain the best possible value that they can for their customer base and only increase prices when they absolutely have to. So in the case of restaurants, I expect you're already seeing that flowing through. But in terms of the restaurant and the business world, the work that was done by the independent panel tells us they expect within a couple of years you should see our prices back to a level that reflects the savings that occurred as a result to the PST coming off. So I hope that answers your questions. The vehicle repairs one is important.

**Moderator:** Thank you, Minister. We have a question from [caller] who's wondering how going back to the GST will affect the price of groceries. [Caller] are you there?

**Caller:** Yeah, I'm here.

**Moderator:** Hello.

**Caller:** I'm not so much here about groceries, but the price of like – once the medications stuff where we didn't have to pay the PST, or things like children's clothing. There, we didn't have to pay PST and now we have to pay the HST.

**Hon. Pat Bell:** So thanks. Thanks, [caller]. So a couple of pieces of that. So on just for any prescription drugs there is no – there is no HST on it, or just the 7% provincial portion. So if you get a prescription from any pharmacy, there shouldn't be any HST. So that wouldn't change if you went back to the old PST system. There still wouldn't be a tax, and there isn't today. There is some new HST on a few things that you might buy – over the counter type drugs. So if we went back to the old PST system, then you would anticipate the cost would be removed. Other grocery store type products – not much change has occurred. There are a few things. If you went to Save-on or Extra Foods, there would be an HST on that now, because it's similar to a restaurant product. So that's a bit of a change. And if you went back to the old system, then that would be removed. But groceries, there is no HST. If there's confusion on that, sometimes people see HST on the bottom of their bill. What that actually is, is the 5% GST that is charged on some products or could be on the odd item, like a cooked chicken. But make sure you'll always do the math, because you'll find that it doesn't equal the 12%, which I know is what some people expect. But I think if you really do the math, you'll find that there isn't much of a change on your grocery bill at all. And again, if you go to [www.hstinbc.ca](http://www.hstinbc.ca), there is a lot of good information on that website.

**Moderator:** Thank you, Minister. Next question is from [caller]. I think he wants to ask you about whether or not the same exemptions will be in place on PST if we were to go back to it. [Caller] are you there?

**Caller:** Yes, I am.

**Moderator:** Just go ahead.

**Caller:** Yeah, I'm wondering, if the referendum comes out in favour of dropping the HST and we go back to the old way, all of those new items that got exempted from the HST, do those drop off?

**Hon. Pat Bell:** Thanks. Thanks, [caller] for calling. In terms of what a PST system would look like, the old PST system, we're all familiar with. However, we did make changes from time to time on the PST system. So government will have to ensure that it has sufficient revenue to provide the services that the public all needs and demands – whether it's the roads, education, social services, or health care. So if there was a vote to move back to PST system, certainly the finance minister would have to make the decisions accordingly. So we know what the old PST system looked like. But there's no question, as I pointed out to an earlier caller. There would be a substantial revenue shortfall plus an additional cost of, well, over a

\$100 million. Potentially a half billion dollars in short fall of revenues. So if the government would have to find revenue, run a bigger deficit, or cut programs. Those are the choices.

**Moderator:** Thank you, Minister. We have a question from [caller] about the cost of breaking the agreement with the federal government. [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Okay. My question has to do with when the HST was put in place, that we signed the contract with the government – the BC government signed the contract with the Canadian government – and we were given this transitional money. Not everyone knows that we were given transitional money to change from GST and PST to HST. Plus, how much will we have to pay back?

**Hon. Pat Bell:** Well, thanks [caller]. And you're quite right. When we signed the agreement with the federal government, it was a 5-year agreement. And if either party were to – while the province was to break that agreement in that 5-year period – we would be obligated to pay back the transitional money. The transitional money is \$1.6 billion. To put a little bit of perspective on that. The provincial budget is about \$40 billion, \$42 billion. So \$1.6 billion is a lot of money. The interest alone on that kind of money would be something around \$80 or \$85 million. So it's a substantial cost and one that we would all need to carefully consider when we mark our ballots that we receive by June 24th, pardon me, or thereabouts.

**Moderator:** Thanks, Minister. We have a question from [caller] regarding getting a tax from the businesses to individuals. [Caller] are you on the line?

**Caller:** Yup.

**Moderator:** Please go ahead.

**Caller:** When I look at this, I think that you are shifting the tax burden from business to individuals. And I'm wondering if that was the reason that you did that?

**Hon. Pat Bell:** Yes, thanks for the question. [Caller], that is not the reason why we did it, in the spirit of absolutely making sure that all the information is out. The report, that was issued today by the independent panel identifies that consumers in British Columbia will pay about an additional \$1.3 billion annually in tax. Businesses will pay about \$700 million less in tax. I do want to take a few seconds to talk about this, because I think it's really important. As many of you will know, I was previously the forests minister; I'm now the Minister of Jobs, Tourism and Investment. I've seen some of the success that we've had in re-opening our sawmills around the province over the last 24 months, and it has been dramatic. That success that we've had, it has been directly related to a more competitive tax environment. Right now, lumber is selling for about \$250 per thousand board feet. A PST system has a cost associated with that which amounts to a significant component that is added on to that, potentially about 5 or \$7 per thousand board feet in additional costs. In a good market, that's not a problem. In a bad market, it means that sawmills are closed and people are out of work. So the real key is to provide a



competitive marketplace to make sure that our sawmills are working well, that they're as competitive as they possibly can be in our minds. And all those industries create the key jobs that we're so dependent on, in Northern and Central British Columbia. So the reason was not to just place money from tax revenues to businesses. It was to make sure that we have competitive businesses that employ people and make sure we have a strong economy.

**Moderator:** Thanks, Minister. And we go to [caller]. He wants to ask you about the shortfall in government's revenue if you eliminate the HST. [Caller] are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** I'm just wondering, if you eliminate the HST and go back to the PST, there will be a shortfall in the government revenue to keep our schools and hospitals and highway systems, etc., operating. How will you replace that revenue? Or will you have to cut back?

**Hon. Pat Bell:** Thanks, [caller], and you know, you are asking the question that we are asking ourselves right now, as well. Because there is no magic place where we can get money from. The amount of money annually is about half a billion dollars. That actually escalates over time, but it's half a billion dollars per year initially. So you know you really have three choices. You can either increase taxes. You can increase the deficit or you can reduce services. As a cabinet minister, I don't find any those of solutions particularly attractive. It is hard on people when you reduce services. I don't like the idea of adding any more taxes if I don't have to, because we become far less competitive. And I certainly don't like the idea of adding to the deficit in increasing the cost of the debt burden on my kids, and everyone's kids and grandkids. So it's a big problem [caller]. If we decide to go back, it will make for some very, very difficult decisions.

**Moderator:** Thank you, Minister. We're now going to go to our first feedback question to get your input on the HST. I'll be asking you for your preferred answer, by pressing a number on your keypad. Please listen carefully to the options. I'll read the question and the answer twice. Here is the first question. The government HST revenues increase faster than the PST revenues would have, because the tax base with the HST is broader. If you could pick one way to use additional HST revenue, which would you choose? There are 3 options. Increase spending on health care and education, press 2. Reduce British Columbians' tax burden, press 3. Provide additional support to families with children, press 4. Let me re-read the question and answers. The government HST revenues increase faster than the PST revenues would have, because the tax base with the HST is broader. If you could pick one way to use additional HST revenue, which would you choose? Here are there 3 options. Increase spending on health care and education, press 2. Reduce British Columbians' tax burden, press 3. Provide additional support to families with children, press 4. Minister, we have a question from [caller]. He wants to ask you about lowering the rate of the HST to 10%. [Caller] are you there?

**Caller:** Yes.

**Moderator:** Please go ahead.

**Caller:** This is [caller] from Kamloops. My question is this. As an owner of a small business, we will not paying. We were not collecting from the residents for the 7% on real property. But now we are and it has increased to the customer – 7% more in tax. I don't have a problem with the HST. I think it is great for small businesses to save a huge amount of money in handling of the collection of taxes as a small business person. But I would like to have seen the HST lowered to 5% and 5%, not 7%. Secondly, what would really stimulate the economy is, as they do in New Zealand, when a person is quoted a price on goods, that is the price they are to pay. If you bought a hot tub from me and I quoted you \$5,000, that is what you paid – but it includes the HST. Now, I know that BC residents want to see the tax, so that they know they're paying. But I think it would stimulate the economy a lot better if a person got the price of goods and that is what they pay it. Your comments?

**Hon. Pat Bell:** Well thanks, [caller]. So I wanted to talk to you, and Terry is on the line as is Kevin Kruger and my colleague Shirley Bond is in the office here with me. And John Rustad as well.

So you have a really good question. Answer to your first question. For each percent that we reduce the HST from the provincial portion, from 7% to 6% to 5%, the cost is in the range of \$800 to \$850 million of provincial revenues. It does leave a revenue hole, but I think also you could build an argument that it stimulates investment. And you want to go on the things that I made to notice. And again, I encourage you to go [www.hstinbc.ca](http://www.hstinbc.ca) and to register that comment as well. So just keep in mind about \$800 to \$850 million. In terms of the all-in pricing, that is something that I've heard on a number of locations and I personally find it quite attractive as well. My understanding is it would likely require federal government approval. But now that we have a majority government in Ottawa, it certainly would be an interesting discussion to have. But I think it's good advice. The New Zealand policy is a sound one and something that we could certainly think about.

**Moderator:** Thanks, Minister. We have [caller] on the line. And she is wondering about HST and the price on a new home and how that rebate process works. [Caller], do you want to ask your question? Are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Hi. Yes, we're in the process of purchasing a new home. And the HST on that new home will probably be about \$36,000. And I'm not quite sure of the process. But I'm understanding that has to be paid up front, and then a rebate has to be applied for, is that correct? Do I have correct information?

**Hon. Pat Bell:** Thanks, [caller]. I believe the website will have the detail around that information. I think you are essentially correct. But if the timing is done properly with your lawyer, often times, the events can coincide in a way that doesn't require any transitional funding through that process. So I just suggest that you get a little bit of legal advice. You'll need to talk to a lawyer; you'll need a notary anyways for the transfer of property. And also, you could probably get a bit more information on [www.hstinbc.ca](http://www.hstinbc.ca).

But just keep in mind that and I think it sounds like you've already done your homework on this. But any new home that's under \$525,000 – and then, the calling area that we're in this evening, Kamloops up to Prince George, Lillooet, Merritt, out to Terrace, Rupert, to Fort St. James, McKenzie. I hope there's some callers from Mackenzie there on the line, Mackenzie is number 1 in my heart. You know I think most of the homes will not be over \$525,000. Only a few of them. Shirley Bond is just kicking me under the table, reminding me that Valemount and in McBride are important too.

**Moderator:** Minister, thank you for that. We have a question here from [caller] about HST and the business community, how it affects the business community. [Caller] are you there?

**Caller:** Yes.

**Moderator:** Will you go ahead please?

**Caller:** If companies and businesses are saving money, paying less taxes – and you mentioned sawmills – then there should be growth in the economy through increased number of businesses and business operations. Have you been able to measure or estimate that growth and how much increased revenue the government might get from that, because of the HST? Thank you.

**Hon. Pat Bell:** Okay, thanks, [caller]. So early days, we're only 10 months into the HST right now. So it's hard for us to quantify what's occurred in the last 10 months. What I can tell you is that in the last 18 months of the period of time that I was minister of forests, we re-opened a total of 24 sawmills in British Columbia. I cannot begin to attribute all of those to the HST and I don't attribute those strictly to the HST. But the HST does create a more attractive investment climate and I'm sure that some of those mills were able to re-open as a result of that. The report that came out today, indicates an additional \$1.2 billion in additional exports. That's all direct jobs into British Columbia from our mining industry or forest industry, our film industry, and our energy industry. And that would translate into about 24,400 direct jobs. You can get the report if you like at [www.hstinbc.ca](http://www.hstinbc.ca). But to answer it very quickly. We're expecting about \$1.2 billion in additional exports, 24,400 incremental jobs. That's the report that came out today. It's not done by us, it's done by an independent panel.

**Moderator:** Minister, thank you for that. For those who've joined the call while it's been in progress, welcome to tonight's telephone town hall on the HST. We have more than 23,000 participants on the call, so it's taking some time to get everybody on the line. Minister I think it would be a good time for you to recap your opening comments for those callers who missed it at the opening part of the call. Minister, I'll turn it over to you.

**Hon. Pat Bell:** So well thanks, Sarah. And thanks. Boy, that's an incredible 23,000 people. Obviously there is a keen interest in the issue. So please I think you were able to join us. I'm Pat Bell. I'm the Minister of Jobs, Tourism and Innovation and also the MLA for Prince George—Mackenzie. We're joined on the line by colleagues Kevin Krueger and Terry Lake, the MLAs in Kamloops area, John Rustad who is the MLA for Nachako Lakes. And my good friend and colleague is here in the room, Shirley Bond.

**Shirley Bond:** Good evening. And what a fantastic turnout. Thanks for joining us tonight.

**Hon. Pat Bell:** So the intention of tonight's town hall is not to sell you on the HST. It is to hear from you on what you think we need to do to improve the HST. As you know we have a very important referendum coming up as a result of the commitment of Premier Christy Clark made in her campaign. And when she first came to office in March, she committed to moving the referendum up from September to June 24th. It will be a mail-in referendum. There's a significant savings as a result of that, about \$18 million. It would have been \$30 million to do a full-blown referendum. \$18 million is the savings, but now the cost of the mail-in is about \$12 million. You need to have your ballot actually at Elections BC by July 22nd. So don't wait. Make sure you mail it in as soon as you feel you have enough information to make a good decision. So the reason why we are here this evening is because we understand that we did a very poor job in rolling out the HST, both in communicating and talking about it. Shirley, John, Terry, Kevin, myself. So we wanted to make sure we had an opportunity for all our constituents to get all of the information that they need to make a good decision. Do we want to stay with the HST or do we want to go back to the previous PST-GST regime that we had previously? Two different taxes, and certainly duplication of effort, but a regime that we all knew. And we knew exactly what it was like. So tonight is not a sales pitch. It is simply trying to provide people the facts. And I will give you some information just in a second here that I think really reflects that.

In addition to this call this evening, there are three ways that you can get more information. First of all, you can go to [www.hstinbc.ca](http://www.hstinbc.ca), which is a website that's been established to provide you with expert opinions and answers to your questions. The second is, after the May 24 long weekend, there will be a series of public dialogues around the province, hosted by BC universities, colleges and institutions. We believed that was important to have an independent third party providing that opportunity for public dialogues. We didn't want you to be sitting there, listening to politicians. We wanted you to have good independent advice from our education institutions. And the third mechanism is the voters' guide package that will be mailed to every household in BC in early June. And that will, again, provide you with the balance of information. Not just from the Pro side, but from the Con side as well. An opportunity is being made available to everyone to provide input, into that particular document. Some comments made in an independent panel report that was released today. The four members of the panel were Jim Dinning, who used to be a finance minister in Alberta, people will recall that name. George Morfitt, who was the Auditor General of British Columbia. Tracy Redies, who is the CEO of Coast Capital Savings, which is Canada's third largest credit union outside of Quebec. And John Richards who is a professor in the School of Public Policy at Simon Fraser University, trained as an economist. They closed the last three paragraphs of their report. And this is an independent report. It's not done by government, and I think this is really important.

'The process of preparing this report has shown us much of the debate over the HST and PST-GST remains filled with factually incorrect information. We believed that better information including the good and the bad about each option is critical for there to be a successful referendum, no matter the results. Citizens usually leave such talks about policy questions for the provincial government. During this summer's referendum, British Columbians will make history. You will decide the future of the HST. The question before you would be. Are you in favour of extinguishing the HST, Harmonized Sales Tax, and re-instating the PST, Provincial Sales Tax, in conjunction with the GST, Goods and Services Tax. Yes

or no? Our job is not to tell how you to vote. It is to look at the facts and offer our best analysis. Now, it's your decision.'

Those were the comments of the panel. They're reporting out today. Their report is available at [www.hstinbc.ca](http://www.hstinbc.ca). And with that Sarah, I would like to move back to questions.

**Moderator:** Yes, Minister. We're going to go to [caller]. He has got a question about the HST on items that previously didn't have PST, like energy efficient items. [Caller], are you there?

**Caller:** I am.

**Moderator:** Please go ahead.

**Caller:** Yeah, I am just wondering about stuff like low flow windows, insulation, energy efficient things that never had PST before. And I'm looking at a bill right now. But I just purchased a window. And I, didn't charge 12% tax. And it would have been like 6% or 5% a year ago.

**Hon. Pat Bell:** Okay. Thanks, [caller]. I appreciate it. So the specific window that you're talking about, I'm not sure. But your point is a legitimate one. There are products, energy efficient products. They used to not have PST associated with them but do now have HST associated with them in the form of the added 7% HST. So as you pointed out, that window, or any energy efficient product. I'm not actually certain about the windows, so I don't want to comment on that. It would have previously had 5%. If it is an energy efficient product that was exempted from PST previously, it will now have 12%. So there would be the additional 7%. This is one of the areas that we've heard lots about. We are interested in what improvements we will need to make to the HST so that British Columbians find that it is a logical, thoughtful way to tax them and provide services to the public. I am going to put you down as someone who thinks that we should consider exempting tax from energy efficient items. So I appreciate your input and it's something that certainly will take under consideration. In addition I encourage you to go to the website, [www.hstinbc.ca](http://www.hstinbc.ca) to also register your comments, so that we can get it in there as well.

**Moderator:** Thanks, Minister. We just have comments from [caller] about the town hall and the timing of... [Caller] are you there?

**Caller:** Yes.

**Moderator:** Please go ahead.

**Caller:** I just wanted to make a comment. I think this telephone conference call is an excellent decision. I'm for one am on disability myself. And I find that I am paying far more for everything. And what my question kind of is, is why now are you on the phone when Gordon Campbell stood and told the province of BC over and over again that this was revenue neutral and not a word is said by anyone? All the ministers kept quiet until now it gets in and you realize the people are curious at the way this was all handled. And now you're taking the time to take people's calls. And yet, no one seems to stand up or wanted to stand up to Gordon Campbell, when he kept telling us that it's all revenue neutral.

**Hon. Pat Bell:** Thanks, [caller]. Thanks for the call. And I think it's important to know that we do have a new premier, she was elected on a change agenda. And one of the things that she feels very, very strong – I'm about to ask you, Shirley, and I, and John, Terry, Kevin – is that we have more open accountable government. We realized, we've come up short in that area. We are the first ones to admit that we've done a rotten job in this. And if we are going to continue to represent our electoral areas, to represent the province of British Columbia, it's one of the areas we want to improve. So we intend to cover much more open government under the leadership of Premier Christy Clark than we have in the past. And this town hall, telephone town hall meeting, I think is reflective of that. So hopefully you can accept that we are turning over a new leaf, that we want to have a good, open, accountable government, and that we're going to continue to have these sorts of events. I think 23,000 people on the phone line tonight is incredible. That's quite a story.

In terms of the revenue neutrality of it, we did believe initially that it would be revenue neutral in the first year or two, and that would have escalated. What we have found in fact is that we have generated more revenue than we believe we would. So I'm being absolutely affirmed with you. I don't want to run from the fact that this is generating more revenue than we thought it would. And it would be a change if we were to go back to the PST-GST system as I've spoken to previous callers. We have to take that into consideration. But you know this is an incredible story. 23,000 people are just on this call. We have two other calls going on right now. A total tonight of 78,000 people on the call. So I think that's the great new story, just by itself.

**Moderator:** Thanks, Minister. I want to go ahead to [caller]. She has a question about HST and on how does that health care cost. [caller] are you on the phone?

**Caller:** Yes.

**Moderator:** Go ahead

**Caller.** Hello. Hi, I was having concern about is the fact that my cost of care has gone up by the HST. So if you go to chiropractic therapy [...] that you use to keep this or to help to improve your health in some way, it's now taxed. Hello?

**Hon. Pat Bell:** Thanks, [Caller]. Yup, and I got to get there. The one that you mentioned, chiropractic. You are quite right, that is one of the areas that did go up by 7%. Previously, it was exempted from PST. It does have GST, of course, the 5% on it. But the additional 7% did come on. And you know, I guess what I think that I'm just going to put you down as someone who believes that we should consider those sort of health services as areas that should be exempted from the 7% provincial portion of the HST. And I will encourage you as well to go to the [www.hstinbc.ca](http://www.hstinbc.ca) website, and also register that thought. Low income people are exempted from some of those additional costs, but you know many British Columbians that use chiropractors or another services are incurring those costs. So it's one of the things certainly that we could be thinking about. The low income earners, as I said before: \$230 per individual. If you are a low income earner, for a family of four, that's \$920. When you get that credit rate up to about \$48,000 of income – not the full credit that obviously shrinks down overtime, depending on your level of income. But even someone approaching \$50,000 in income gets that quarterly cheque. So

thanks, [caller]. I appreciate the feedback and I'm going to put you down as a supporter for the idea of removing fees from some of those health care type services.

**Moderator:** Thanks, Minister. We're going to take another question before we go to our second poll question. We have [caller] on the line, who wants to ask about who's counting the ballots for the referendum. [Caller] are you there?

**Caller:** Yep.

**Moderator:** Please go ahead.

**Caller:** Yeah, I'd like to know who's counting the ballots on this mail-in referendum thing. Or it's just a done deal and we're just spinning and wasting more money?

**Hon. Pat Bell:** Well for your question, [caller]. No question about it. But it is being done the entire process of this vote. It's being done by Elections BC. Elections BC is an independent office through the legislature. It is arms-length from government. It has nothing to do with the provincial government. Once the Chief Electoral Officer is appointed by an all-party committee of the legislature, they remain appointed for a specific period of time. So you don't need to worry about this being a done deal. It is a very open, democratic process. The votes will be counted and you'll probably find out exactly the same time that I will.

**Moderator:** Thanks, Minister. We're going to go to our second feedback question to get your input on the HST. Again, I'll ask for your preferred answer by pressing a number on your keypad. Please listen carefully to the options. I'll read the question and the answer twice. Here is the second question. If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up that revenue difference, which of this would you choose? There are 3 options. Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Run larger deficits, press 4. Let me re-read the question and answers. If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up that revenue difference, which of this would you choose? There are 3 options. Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Run larger deficits, press 4.

We're going to go to [caller]. He has a question about who benefits on the HST, people or companies? [Caller] are you on the line?

**Caller:** Hello.

**Moderator:** [Caller], are you. Are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.



**Caller:** I'm just wondering if, when you brought in this HST, does it benefit the companies more than the taxpayers? It seems like the taxpayers are paying the burden. And another question I have is after this being here, all this probably, are the people assigned to get this referendum back in line. When you realized that so many people just don't like it, and then, everybody in their writings – why would we even have to go to this mail-in referendum? It makes me wonder why we vote you in, but you don't do what you were voted in to do? You know, you're speaking to according to what Campbell wants, not what the people that voted you in want. That's my question.

**Hon. Pat Bell:** Thanks, [caller]. As you probably know, we have a brand new premier in the province, Christy Clark. Gord is no longer an elected official. He's not even an MLA anymore. He resigned, so we're focusing on the future. We think we've got a very bright future in the province. I'm working with a very difficult issue, and that is, what to do with the HST? I think that, there is no more democratic process than going to the public. And saying, "you make the decision". Now, please keep in mind that the legislative requirement for referendum actually said that 50% of the all the registered voters in British Columbia needed to vote down the HST in order for it to be removed. We will step way beyond that. We said 50% of the people that show up; if they're voting against 50% plus one person, if they vote against the HST, it will be gone. So we've actually, I think, going much further than the law required us. And I think having an open, transparent public poll like this, that's mail-in – it's easy for people. Boy, that was as democratic we can get. And I would suggest that we have in fact listened to people. So I hope you can save that for what it is. Because I'd say, it's a very important time. These are big decisions. The previous callers prior to you have asked about what the cost of going backward is. There is a cost, and we understand that.

You asked me, you know, if business gets more benefits than individuals. I did say that earlier. Individuals are paying about \$1.3 billion more in tax now than they were before. Businesses are paying about \$700 million less. I understand that and I'm not afraid of it. The key is whether or not we can build the level of economy with that change in tax, that allow us to create high value family supporting jobs. And that's what our hope is. So I hope you feel you've got a democratic process here [caller]. On June 24th, you're going to get your opportunity to mark your ballot as, as everyone else in BC

**Moderator:** Thank you, Minister. I have a question from [caller]. She is a farmer and interested in knowing how it affects her, and what she can hope to see as a positive. [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Oh, yes. I have a question, that the accountants were supposed to be getting back HST PST at farms, because we feed the people of our province. I don't see that happening. And I have never received an HST cheque.

**Hon. Pat Bell:** Well, thanks [caller]. And we need to make sure you get some good accounting help and advice, because you should. In fact, all of the money that you expend in HST should become what is referred to as an input tax credit. I would encourage you to contact your MLA, whoever that is, I don't

know what part of the province you're calling from. But wherever you're calling from, contact your local MLA, and we will put you in touch with someone who can provide you with that information. But if you're not getting money back, the farmers are one of the key areas that are big winners in the HST. It will be a big savings for you. It'll make sure that you can be profitable and I know how tough the agricultural business is. So thanks for the question and please get in touch with your local MLA or an accountant if you'd prefer. Or a bookkeeper who can send you in the right direction to make sure you're getting everything you're entitled to.

**Moderator:** Thanks, Minister. We have a question from [caller] about HST on groceries at the supermarket. [Caller], do you want to ask your question?

**Caller:** You're talking to me?

**Moderator:** Yes. Thanks, [caller]. Go ahead.

**Caller:** It's not the supermarket. I want to know why, your government, you keep saying we have a new government. How come, your new government just doesn't stand up and say, yes we know there is a mistake from the other government made from before? Stand up and it's not going back. It is putting money back in my pocket. If I'm disabled, every penny counts. Every penny counts and you're taking more money out of my pocket. Big businesses is already [expletive] us. You already sold our sawmills up to the United States. They're getting tax breaks from British Columbia. And they're ripping us off for more taxes. Don't be handing out, saying this all going backwards. It's not going backwards. The HST is putting us more in debt. Here is the part with the debt. With some money that you took from the federal government gave you to make more money, taxes for the government, as HST...

**Hon. Pat Bell:** [Caller], I'm sorry. I'm going to jump in here [caller]. You're currently getting into a couple of other issues over and above the HST, which is what we're here to talk about tonight. So I'm sure he'll get in touch with you. But I'm hoping that you were getting the maximum credit that you possibly can, under the BC HST credit system. So just very quickly for the other listeners on the line. You may know this [caller], I'm not sure, but a single individual earning under \$25,750 is eligible for an HST credit up to \$230. A family of four can potentially receive a credit up to \$920 per year. So it's \$230 per person. And then, there's a different income threshold. So I know it's very difficult to make ends meet, [caller]. And I hope that we can make sure that you're getting that credit.

**Moderator:** Thanks, Minister. We have [caller] on the line, he's a carpenter with some questions about how [paying for it all]. [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Hello, Minister. Yes, I've got a couple of pretty serious concerns. Obviously, first and foremost being the labour issues with HST in charges on labour. Being a carpenter, we have actually seen our business decline stiffly in this region. And I know of others in the province where I have friends, who were also in the business. I'm wondering what ways we can change that. And I'm also going to see a

trend here. I just want to make a note about a trend talking about how we're going to pay for the transition back to PST-GST system. First and foremost I think that the BC levels let down all of British Columbia when they failed to consult with us meaningfully on this sort of change. And now, we're forced to bear the burden of Campbell's regime mistakes. One way to reduce that burden in my opinion would be to pull Mr. Campbell's pension. And from what I'm hearing it's 6 figures. So if we were get to rid of this, then maybe that would help.

**Hon. Pat Bell:** In terms of the cost to go back, you identify that as a cost. Let's keep in mind if we've never gone to the HST system, we'd still be \$1.6 billion under the line. That's money that came to the provincial government from the federal government, that was used for services that were provided last year, this year. And will be use again next year to provide for services. So you know, anyway you cut it, there is \$1.6 billion. If we didn't do the HST, we wouldn't have had an additional \$1.6 billion presumably or we would have had to reduce services or add taxes. So it's payback that the money regardless had to be used. It was an opportunity for us to access that \$1.6 billion and if we're going to the HST, it just make good sense to take advantage of that. But that money was required regardless. So that's important for you to know.

Your comments on labour, to do with carpentry services, again is one of the things that we've heard a little bit – not a lot. So I encourage you to go to the website, [www.hstinbc.ca](http://www.hstinbc.ca) and register that as one of the areas that you think would be important in terms of exempting that particular service from HST. So I appreciate your comments. I can assure you that Christy has given us all very, very clear mandates to change the way they were doing business. This is about being more open. It's about making sure that we get on to talk to people. Listen to them. Take their advice. And do what we can to implement effectively. So I know people have strong feelings about the past. I'm looking forward to the future. I know my colleagues are as well.

**Moderator:** Thank you, Minister. I'd like to remind our callers that we're trying to get through as many questions as possible. So we'd appreciate it if you keep your question short and limited to just one question per calls. We have a call, Minister, from [caller], who'd like to talk to you about gym memberships, sports equipment and other things, and whether or not they could be made exempt. [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Yeah, just my thought was, in general, I'm supportive of value added taxes and possibly coupled with a reform of the income taxes to move over time. But in the short term, we're a very active family to play hockey, soccer, sport running events, gym memberships and things like that. And it seems like, on the things to keep healthy, in which in you know hopefully keep health care costs down for ourselves in the province.

**Hon. Pat Bell:** Thanks, [caller]. A couple of things on that issue. Yes, it's possible. This is an area I've heard a few times this evening. And I've also heard it around lots of locations. Just being around Prince

George and Mackenzie, talking to people that this is an area that they think is important, particularly sports equipment. Just to encourage healthier living styles. The one thing I'll just let you know is Christy and her platform did commit to looking at some sort of an income tax reduction base on sporting equipment to encourage children to get involved in sports. She actually introduced, I think it was, a private member's bill, but she at least talked about it and around 2005, I think that was, when she was a member of the legislature. She talked quite extensively about that. So I think that's something that you can anticipate from our government is that keen interest on moving on that area. And again, not to get too imperative, but I just encourage you to go to [www.hstinbc.ca](http://www.hstinbc.ca) to register that comment. So thanks for doing that. Appreciate it, [caller].

**Moderator:** Thanks, Minister. I just want to let everybody know we probably have time for about three more callers. We're going to go to [caller]. He has a question about what the government is doing to educate the public about the HST. [Caller] are you on the on the line?

**Caller:** Yep.

**Moderator:** Like to go ahead please?

**Caller:** Okay, you know me back. I'm up and down from the loops. One of the things that I was going to ask that since part of the problem was the whole implementation of the HST was not really educating the public as to what was all involved. And having it more or less thrust on the public. But what now that it's been in for how long? A year now? Or I don't how long it's been in. But has there been any analysis done that could put the other brochure of some sort that could be passed out to the public to kind of really give them a snap shot of what actual difference it has made on us? And so we could, you know, like educate – because a lot of information going around on all this... I like to see them on a piece of paper to kind of make a judgment call as to what really the impact has been.

**Hon. Pat Bell:** Yeah, thanks [caller]. I do know, I absolutely do know who you are. You're a logger. I know it very well. And a good logger at that. I will, so for someone in your situation, if you want to get a new loader, a new logging truck – so I guess logging truck is the most relevant – it is a huge saving. So fully, a logging truck, I'm not telling you anything you don't know [caller]. I know you noticed, but \$250,000 to give her take. That's about a \$15,000 savings in what used to be PST as a result of not having to pay that in HST. So from log harvesters such as yourself, it's a big savings. But the question you asked, is there a better way of getting information, have we done anything about that? There's really three places to get good information [caller]. The first one is the website that I mentioned a few times tonight, [www.hstinbc.ca](http://www.hstinbc.ca). The second is starting at the May 24th weekend, there's going to be a series of free public dialogues around the province sponsored – or hosted, I should say – by universities, colleges, and institutions. So the reason why we chose that is we wanted it done independently. We didn't want to create an environment where people felt they were listening to individuals who have a vested interest. We wanted to have good independent information. So that's the second one. The third is a voter's guide that will present statements from the pro and con sides of the equation. It will arrive in your mailbox early in June. Also don't forget the independent report that was out today that is available at [www.hstinbc.ca](http://www.hstinbc.ca). But thanks [caller].

**Moderator:** Thanks, Minister. And we have a question from [caller], who's interested in knowing if we went back to the PST, what would that do to taxes on fuels? [Caller] are you on line?

**Caller:** Yes, I am.

**Moderator:** You go ahead please.

**Caller:** Yes, Minister Bell. I'm from Williams Lake? I would like to know what would happen if we went back to the old system. Would the PST and everything come back on home fuels and other fuels?

**Hon. Pat Bell:** Yeah, thanks [caller]. There would be, I don't want to say no change, because there'll be some PST on the delivery charge with fuels and the truck tires on the truck used to hold the fuels on. But basically the answer to the question is there is no HST. Not the provincial 7% on your fuel today, and there would be no PST if we went back. So it would be for all intents and purposes exactly the same cost. And that was the case. There was no change to home heating fuels, firewood pellets after actually applying for the rebate, everything else that comes on the actual invoice. So no change now.

**Moderator:** Thanks, Minister. Next question is from [caller]. He is wondering, the extra revenue that we're collecting on the HST, why not reduce the portion of the HST to make people more comfortable? [Caller] are you on the phone?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** That was exactly my question. You know, the province is making a quite a bit extra money on this. And you know that business has got quite a break. And it all went out to the backs of the individuals. And they would probably feel a lot better on average by dropping it down at percentage point.

**Hon. Pat Bell:** Thanks, [caller], you're the second caller that brought that up. And I did mention before that the cost per point is about \$800 to \$850 million for you in that range. But you know what, it's one of the things that I know we are hearing from the public, that that would make the HST a more palatable form of tax. So I'm going to put you down as a supporter of the idea of reducing the tax at 5%. And I encourage you go to [www.hstinbc.ca](http://www.hstinbc.ca) and register your thoughts there too. So I appreciate your comment tonight.

**Moderator:** Thanks, Minister. We have time for one or two more calls. We have [caller] on the phone who wants to ask you if there's any chance of re-writing your referendum questions. [Caller] are you on the line?

**Caller:** Yes, I'm here. Thank you.

**Moderator:** Please go ahead.

**Caller:** Hi, Mr. Bell. I really am thankful to have the opportunity to participate in this call. It is a wonderful use of technology and I'm really happy that you are listening to the voices of others. My

question is with the popularity and the participation of this telephone call tonight. Would the parties that are making the referendum question, which you read to us earlier sounds very narrow and scope – It sounds a very yes or no, do you want to the HST? Or do you want to go back to the PST-GST system? And there's only a very narrow choice. With the popularity of this call and the things that you were hearing from the residence of BC, would anybody be willing to expand that question to incorporate possible options, rather than yes or no?

**Hon. Pat Bell:** Thanks, [caller]. And I think that's a really good question. So the actual question itself for the referendum was drafted by Elections BC. And Elections BC is an independent body that doesn't report to the legislature. It doesn't report to government. So they have full and total leeway in developing the question, and they've chosen it already. But however I think your point is you'd like to be able to say, you know maybe there is an answer that says I don't mind the HST, or it's more palatable if you made this change. And you know we've heard tonight as an example it was removed from the labour components of renovations on your home. So that might make it more palatable. We heard that if you removed it from sporting equipment, then it would be more palatable. We've heard if you've drop it a percent or two, it would be more palatable. So what we intend to do is through these telephone town hall meetings, accumulate all of that information. And then prior to the referendum we will as a government present the options that we see. We can get back to the PST and this is what it'll look like. If we stay with the HST, we've listened to you, we've heard your concerns. We're going to respond to them and we are prepared to make the following changes with the HST to be chosen in this referendum to continue to act as the taxation system in British Columbia. So the question [caller], I think we will be able to respond. We won't be able to do everything, to be clear. You know it's very expensive to drop a percent from HST, \$800 to \$850 million. But you know I wouldn't be surprised if there's a bunch we can do. And what I would encourage you [caller] and everyone else to do is to go to [www.hstinbc.ca](http://www.hstinbc.ca), and tell us what it is that we can do to make this type of tax, something that is more suitable to me here in British Columbia. So a very good question and thanks so much for calling.

**Moderator:** Minister, this is going to have to be our last call for this evening. It's from [caller]. She is wondering why we're having a referendum. [Caller] are you on the phone?

**Caller:** Yes

**Moderator:** Please go ahead.

**Caller:** I'm confused. Okay. You guys just in. Again, it's everyone's will. And then now you're asking us if we still want it to the tune of billion of dollars. I think you got people mad, because of this type of thing. You guys put something through and then you go back and ask us later. This is the kind of thing... All these billions of dollars that you guys want to save. So...

**Moderator:** [Caller], thanks for your question. I'm sorry to have to interrupt but we are running short on time, Minister. Please go ahead with your answer before we wrap up the call tonight.

**Hon. Pat Bell:** Well absolutely thanks. [Caller], I'm sorry you got cut off there. Because I would like to hear the rest of your comments. I think your comments are the way many British Columbians feel,

frankly. And that's exactly why we're here tonight. You know it's important to know that I guess about just under two months ago we got a new premier in this province, Christy Clark. She has mandated a strong agenda of change. I don't know if there's been a time when there's been telephone town hall meetings trying to hear from the public, to get a better understanding of what the public thinks and how we need to react to their concerns. Perhaps there has been another jurisdiction, but I know this is a first time here. So we believe in open government. We believe in making sure that we listen to our constituents and act responsibly. There are always tough decisions to be made in terms of taxes. In terms of priorities for spending and the government has a delicate balance. Shirley, and I, John, Kevin Krueger, Terry Lake have all learned that over the last number of years. And we're constantly confronted with those tough decisions. I think it's perhaps a once in a lifetime opportunity and it is a huge personal decision that each and every person is going to have to make. It is enormous. So [caller], I want you to know that we're committed to trying to be as open and transparent as we possibly can be. We're going to listen and we're going to respond the majority of British Columbians. And if they choose to go back to PST system, that's where we'll be. So I'm going to leave it at that.

**Moderator:** Thanks, Minister. Thanks everybody again for the 23,000 or more than 23,000 participants we've had in the call tonight. If anybody didn't get a chance to ask their question, please remember that you can stay on the line at the end of the call. And you'll have an opportunity to leave a recorded message for the government. Minister, I'm going to turn it over to you for your closing comments. Minister, go ahead.

**Hon. Pat Bell:** Well, thanks so much there. And I want to thank everyone for dialling. And this is just incredible. Shirley and I are just sitting here in shock. 23,000 people called in. That number was from earlier on. So I wouldn't be surprised if we ended up with even more than that. This I think is an incredibly valuable tool. So there's a couple of ways in getting more information. The first is going to the website that I've mentioned tonight on numerous occasions, [www.hstinbc.ca](http://www.hstinbc.ca). There is a survey and comment section in that website. And I really hope that people take the 5 or 10 minutes to go and do that, because we're going to base our decisions on your feedback. This is a new open government. It is a change government. We want to be responsive to your needs and your desires. And I know I speak for all of my colleagues when I say that is probably the most important decision that we all face. And I want to personally on my behalf and on behalf of Shirley, John, Kevin and Terry, thank you for taking your time this evening to participate in this town hall. Sarah, thank you so much for that. And we're signing off from Victoria.

**Moderator:** Minister, thank you again. And thank you everybody for participating. If you wish to leave a comment please stay on the line. Now I'm going to formally close this town hall and wish everybody a good evening. Thank you.



## MAY 4, 2011 – NORTHERN INTERIOR / NORTH COAST TELEPHONE TOWN HALL

Host: Minister of Jobs, Tourism and Innovation, the Honourable Pat Bell

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
128,452	35,294	23,539	19	67%	220	29

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the fifth of eleven regional town halls conducted by Government with British Columbians.

Minister Bell responded to 29 questions and/or comments during this call. Issues that arose from citizens of the northern interior and north coast included the following:

- Confusion over what items/services have, or don't have HST, such as electricity, gasoline, home fuel, groceries, residential real estate, labour services;
- Difficulties with HST for people on fixed income or disabled;
- Requests for exemptions for items such as bicycles, family sports/gym memberships; chiropractic, energy-efficient products; restaurant meals;
- Concern over the amount of money it will cost to go back to the GST and PST; interest in how government will make up the shortfall in revenue from the HST; desire to see what difference the HST has made so far;
- Reducing the HST to 5% or 6% rather than 7%.

### Questions/Comments to Minister

*"If we vote to keep the HST, will you make some adjustments and exempt things that were exempt from the PST before, but are now charged HST on?"*

*"I think this telephone conference call is an excellent decision." "It is a wonderful use of technology and I'm really happy that you are listening to the voices of others".*

*"Would the parties that are making the referendum question...be willing to expand that question to incorporate possible options, rather than yes or no?"*

*"Has there been an analysis done that could be passed out to the public to give them a snap shot of what actual difference it has made on us? I'd like to see a piece of paper to make a judgment call as to what really the impact has been."*

*"I've got a couple of pretty serious concerns; first and foremost being with HST charges on labour. Being a carpenter, we have actually seen our business decline stiffly in this region. I'm wondering what ways we can change that."*

## NORTHERN INTERIOR / NORTH COAST TELEPHONE TOWN HALL SUMMARY

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## MAY 10, 2011 – OKANAGAN TELEPHONE TOWN HALL

Host: Minister of Jobs, Tourism and Innovation, the Honourable Pat Bell

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
143,915	44,747	30,882	17	69%	285	25

### Synopsis

Telephone Town Halls on the HST began April 27, 2011. The Okanagan call was the sixth of eleven regional town halls conducted by Government with British Columbians.

Minister Bell responded to 25 questions and/or comments during this call. Issues that arose from citizens in the Okanagan Valley included the following:

- Exemptions or mitigations for specific products or industries – Vehicle purchases, equipment for activities, legal services, support for tourism operators and exempt secondary homes
- Cost to the Province of going back to the PST.
- Implications on seniors and lower income British Columbians
- Concerns that prices have not dropped as a result of HST.
- Callers also raised issues of revenue neutrality, government efficiencies, the poor implementation of the tax and inquired about where the HST revenues were spent.
- Cost of administering the PST compared with the HST.
- Positive impacts of HST on small businesses.

Six callers either directly mention dropping the rate or made a comment about already paying too much tax.

Okanagan residents had very specific questions: charging the tax on business done outside the province, transfer of Provincial employees who use to administer the tax, vote threshold under legislation for the referendum.

Several callers mentioned how appreciative they were to be engaged on this topic through this technology and one caller thought this should have been done before the tax was implemented.

### Questions/Comments to Minister

*Is there a way legally for the government to present an alternative prior to this referendum?*

*If it's rescinded then, I just was wondering what's the price tag on the whole thing?*

*Pensioners never seem to get much of an increase in their pensions... I'd like to know exactly how this does me any good as a pensioner?*

*Now why didn't you just leave all the exemptions that were currently in place instead of umbrella-ing everything under this new tax?*

## OKANAGAN TELEPHONE TOWN HALL SUMMARY

Date: May 10, 2011

Host: Minister of Jobs, Tourism and Innovation, the Honourable Pat Bell

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**May 10, 2010 Transcript: Okanagan Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST Town Hall with BC's Minister of Jobs, Tourism and Innovation, the Honourable Pat Bell.

My name is Lisa and I'll be the moderator the Town Hall this evening. Before we begin, I'd like to give everyone some information on how this Town Hall will proceed. The Minister will have some short introductory comments, then we will proceed with the live question answer period.

Just one quick word about privacy, this call is being recorded and will be transcribed. But if you do not want to have your ideas and comments or opinions be part of the transcript of this call, I suggest you remain in listening mode.

In order to include as many questions and comments as possible on this call, please keep your questions short and to the point. If you wish to ask a question, please press star 3 on your key pad and an operator will come on the line to ask you a few questions. Please use only your first name when speaking to the operator.

We want to hear a wide variety of questions from the audience tonight. The operator will make sure that we reduce duplication. After you have spoken with the operator, you'll be queued up to ask your question. When you hear me say your name, your line will be open and you can ask the minister your question. After you've asked your question, your line will be muted so that the minister can respond and you will be placed back in a listening mode. Please note there will only be questions and answers during this Town Hall, we won't have time for supplemental questions. I also ask that you use polite and respectful language on this call. Anyone using inappropriate language will be cut off.

Later on in the call, you will be able to provide your feedback on HST directly to government by answering a couple of multiple choice questions. This is not a scientific poll for feedback, rather an opportunity to engage you on some important questions about the HST in BC.

Thanks for your patience everyone. We'll do our best, but we may not get everyone tonight who has questions or comments for the Minister. However, if you stay on the line until the end of the Town Hall, you will have a chance to leave your comments in a recorded message.

Again the number to hit if you want to ask a question is star 3.

And now I would now like to turn over this call to Minister Bell for his opening remarks, Minister.

**Hon. Pat Bell:** So thanks very much Lisa and I'd like to thank everyone for dialling into the Town Hall tonight.

This is going out to about a 144,000 people. I'll be advising a little later on in terms of how many people are actually online. But to give you a bit of a flavour last week, there was about 23,500 people stayed on the line in 11 ridings through Northern British Columbia. My name is Pat Bell and I am the Minister of the Jobs, Tourism and Innovation and I'm joined by 2 of my colleagues here in the office whom many of

you will know. I have Steve Thompson here, the new Minister of Minister of Forests, Lands and Natural Resource Operations, Steve

**Hon. Steve Thompson:** Good evening everybody and thanks for joining and participating. We really look forward to the input.

**Hon. Pat Bell:** Also in the room is my good friend Norm Letnick who is a strong representative for the Kelowna-Lake Country area, Norm.

**Norm Letnick:** Good evening everyone. It's nice to be here and looking forward to listening on what you have to say.

**Hon. Pat Bell:** Three of our colleagues were unable to be here with me in my office but are online. Eric Foster, George Abbott and John Slater. I know they are all keen to hear what your comments are this evening.

Just very very briefly; I want to remind you that when Premier Christy Clark came to office in March, she acted immediately on her commitment to move the referendum forward from September to June. And so we do have a very very important date coming up on June the 24th, when you will be asked to make a decision on whether we should stay with the existing HST model or move to the PST combined with the GST model. Government at this point thinks it's very important to make sure we listen to all of the public on your feelings around the taxation model. Primarily because we want to be able to provide you with the best possible information prior to you making your decision on June the 24th.

We will be providing you, before that date, with improvements to the HST that are recommended by you. So this evening, I'm hoping to hear from you what some of your key interest are and what we can do to improve the HST system. I am not here to sell you this evening. I want that to be very very clear. I just want to listen to you and provide you with the best information I can.

There are 3 additional ways that you can get more information if you are interested. The first is the website and I will be repeating that throughout the evening tonight: it's [www.hstinbc.ca](http://www.hstinbc.ca). That website has a broad variety of questions and answers, expert opinions and also an independent report that was released last week that I will speak about in just a second. The second is starting after the May 24th long weekend and in fact in Kelowna on May the 30th, there will be a variety of public dialogues around the province hosted by BC's universities and colleges. In the case of the Okanagan by Kelowna Okanagan College. And the 3rd opportunity will be a voter's package that will be mailed to you at early June. There will have statements from both the pro and cons side for the HST as well as the summary report from the Independent Panel.

Before we actually go to questions, I just want to read something that came out in the Independent Panel report that I think is particularly important. it's summarized in the final comment which is 'Our job is not to tell you how to vote. It is to look at the facts and offer the best analysis' and I will provide you with the best information that I possibly can.

The authors of the independent report (that is available if you wish to take a look at it) are: Tracy Redies, the CEO of Coast Capital Savings. It's Canada's 3rd largest credit union outside Quebec. John Richards who is a professor at the School of Public Policy at Simon Tracy University and an economist. Jim Dinning who is the Finance Minister for Alberta for an extended period of time, for about 5 years. And George Morfitt, who served 2 terms as the Auditor General for British Columbia. So very good report. Lots of good information there that is independent and gives you an opportunity to really get a good flavour.

So we're just used to this tax for about 10 months now and you've had a chance to get a sense of how it is working for you and your family. So I want to hear your feedback and with that Lisa, I would like to open out the lines to questions.

**Moderator:** We'll get right to calls in a few minutes. I would like to remind everyone who has questions. Just press the star key and 3 on your telephone key pad and that will allow you to ask your question.

Minister, I'm going to start tonight's discussion with a question I am sure many people are asking and it's why did the province choose to hold their HST referendum using the mail and ballot and when can people expect to receive their ballots?

**Hon. Pat Bell:** Thanks, Lisa. That was a good question to start.

I knew that one would have come up this evening; so the ballots are going to be mailed out and you should receive them, your ballot, prior to or on June the 24th. If you have not received your ballot by that date, then I strongly recommend that you get in touch with Elections BC. That number is available in blue pages of your phone book. To ensure that you do have an opportunity to vote, in what is probably the most important referendum British Columbia will ever see, you must have your vote in to Elections BC by July the 22nd. That doesn't mean post marked before July the 22nd. It actually means at Elections BC.

So I know I'm going to be mailing my ballot shortly after I get it, to place my vote and get an edge, and I strongly encourage everyone to make sure that they have [their ballots in] well in advance of the July the 22nd deadline.

Lisa, thank you so much, you ask why the Province went that way? It is an \$18 million dollar savings. A full referendum would have cost about \$30 million dollars. This is about \$12 million dollars. We want to respect taxpayer dollars. But we also understand this is a very busy time of the year for people. People start holidaying at the end of the June and end of July and we wanted to make sure that everyone has an opportunity to vote in this. So there is a fairly broad window. You should have received your ballots by June the 24th then you'll have until July the 22nd to make sure they are in. So we are hoping that captures everyone and increases the opportunity to vote. So Lisa, let's go to the lines.

**Moderator:** All right, thanks Minister. Again for everyone joining us, to ask a question you just press the star button and the 3 on your telephone key pads.



For our first question is [caller] he is from Lumby and he has a question about the price tag if HST gets repealed. Go ahead, Chris.

**Caller:** I was just wondering, I know the federal government gave the Province some money to institute the HST. I am just wondering how much it's going to cost us to pay back to the government and if it's repealed, rescinded then, I just was wondering what's the price tag on the whole thing?

**Hon. Pat Bell:** Well, thank you very much [caller] and as luck would have it your MLA Eric Foster just came in the room right now. Eric, thanks for joining us.

**Eric Foster:** Thanks a lot, Pat.

**Hon Pat Bell:** [caller], the total amount of money that was advanced by the federal government to the Province as a result of signing on to the HST was \$1.6 billion dollars. And now we took that over 3 years. So last year, this year and next year. That money will of course, we'll be obligated to repay.

To give you bit of a flavour, if the province is simply to borrow that money, the interest on the loan would be about \$85 million dollars per year. In addition, we would have to rebuild the infrastructure that we had in place to collect the PST. That was an annual cost of about \$35 million dollars. And the other thing that I want to be very upfront about is, in fact, the HST will over time collect more money than the PST system did. In fact, half a billion dollars or more in the early years and climbing to 8 or 900 million dollars in the out years.

That is all lined up to be used for health care, education, infrastructure and so forth. So it is a substantial cost: \$1.6 billion dollars that would sum to \$85 million a year just an interest cost and about \$35 million dollars a year in terms of rebuilding the infrastructure.

**Moderator:** Thank you, minister. Our next question is from [caller]. She is from Malakwa and she has a question about putting the money back in the pockets of people. Go ahead.

**Caller:** Hi, minister. It's very good to talk to you.

I would like to know how this government is going to give us back some money so that we can spend it?

It's a middle class and the poor people that makes the wheel go round and I see that HST is a motion that makes gentrification and - I'm sure you know what the word is and I want you to speak, you can't reverse this gentrification, - I know we have the taxes, but for God sake, do something about this thing so that money goes back into the people's hands. So that we can make the wheels of finance go round. Thank you.

**Hon. Pat Bell:** You are speaking our language that is for sure. We are like the folks that like to see tax reduction and in fact on average is about 38% tax reduction in personal income taxes since we've come to office.

We are actually looking at a very interesting graph the other day that was presented in the Independent Panel report and I encourage you to take a look that as well. But it shows BC is really tied for about the

3rd lowest taxes in the country including the combination of HST and the personal income tax. So Alberta is a bit lower and we are kind of tied for second/third after that.

But I think really, your point is a good point one and that's what we're here to talk about tonight. So I encourage you to go [www.hstinbc.ca](http://www.hstinbc.ca) to bring your recommendations forward. Last week when I did this call up north, the recommendations that we had revolved anywhere from reducing the HST by a percent or 2, to exempting restaurant meals, to exempting bicycle purchases and other sorts of things. So it's important that when money ends up in government that we spend it wisely and certainly education and health care continue to big pressures.

So Lisa, let's go on to the next one.

**Moderator:** Okay. Thanks, Minister. Our next caller is [caller]. He is from Kelowna and he wants to know how the HST will affect his pension. Go ahead.

**Caller:** Thank you, what I would like to know is pensioners never seem to get much of an increase in their pensions. But with the HST being on almost everything and being probably one of the highest tax nations in the world. I'd like to know exactly how this does me any good as a pensioner?

**Hon. Pat Bell:** Well, I appreciate a call. Thanks very much, [caller] for calling in.

So I don't know whether or not you will qualify as an individual because I don't know what your pension income is in terms of the HST rebates. But we do have the HST rebate available and depending on the size of your family and your personal income, the amount that you can be rebated are substantial. So it's \$230 per person, that is rebated in the HST rebate.

So for a family of 2, if that was your circumstance, it would be \$460 and that kicks in depending on your income. For example for 2 people if you have an income of \$36,500 or less, you will be qualify for at least some HST rebates. So that maybe a direct deposit to your account. I know some people do receive it that way or may not. But the higher your income, I want to be absolutely upfront with you, that there is a cost and the more people spend, the more they pay. But it does go to help support all of the infrastructure and health care services that they have in the province.

I know as a senior we all rely on that. So it's a key, key component of our overall tax base. Lisa, let's go on.

**Moderator:** Thank you. Our next caller is [caller] in Vernon. He has a question about, pertaining to spending that can go on his budget. Go ahead

**Caller:** Thank you for having this meeting by the way.

My question: As a taxpayer we feel that we are overtaxed and we are expected to make concessions all the time. And this, the GST for example was not meant to be there forever, you know. And yet whenever the government introduces a new tax, we can even go back income tax you know with the - it was only there for the wars. It is supposed to be there for the war and we're, you know, getting tax

upon, tax upon, tax upon tax and what is the government do reduce their spending for that? They can pass that onto us because I really don't think we should be paying more taxes.

**Hon. Pat Bell:** So thanks, a lot. Your MLA, Eric Foster, is sitting here with me and both of us are agreeing with you.

So, but I want to point out that the bulk of income taxes virtually all increase spending right now - it's going to health care or some to education. So I have the honour of being in a couple of different ministries, most recently, Minister of Forests. Prior to that, Minister of Agriculture and Lands and then now, Minister of Jobs, Tourism and Innovation. And I can tell you that my ministry has not seen any increases. In fact, generally speaking, we found better ways of doing business and doing it for less money and I had a reduction of about 25% in my budget over a 3-year period. And we were able to find different ways of doing business.

But where the real increases are coming are in healthcare, in particular, and to a lesser extent, education. Health care now consumes 42% of the provincial budget. Education about 27% of the budget. And then, all other ministries combined about 17%, social services 8%, and then interest on the debt is about 6%. So, we continue to work hard to try and keep tax as low as we possibly can and control our spending lines, but health is a huge pressure and we need to make sure that we focus on building the economy.

**Moderator:** Thank you, minister. So, I think we're going to, this is a good time to do our first poll of the night. So, it's our first of tonight's questions to get your feedback on the HST. I'll be asking for your preferred answer by pressing the number keypad. Please listen carefully to the options. I will read the question and the answer twice. Here is the first question.

The HST collects more revenue for the province than the PST plus GST system. If you can only pick one way to use this additional money, which of these would you choose? There are 4 options.

Increase spending on things like healthcare and education, press 2.

Reduce the tax burden on all British Columbians, press 3.

Provide an additional HST credit for families with children, press 4.

Or, reduce the deficit, press 5

Thank you for participating in the poll.

Now let's take another question from our audience. Our next question is from [caller], he's from Sicamous. Go ahead.

**Caller:** Between [expletive] clowns and so related and I'll be...

**Moderator:** Excuse me, sir.

Our next question is from [caller]. He's from Blind Bay. And his question is, can the HST be lowered by 1 or 2%? Go ahead [caller].

**Caller:** Thank you, Mr. Minister. Pleased to talk to you this evening.

I'm in favour of the HST, I don't think that we should be going backwards. We should get rid of that old PST/GST model. One thing that may make it more palpable or palatable to the population of the Province may be lowering the rate 1 or 2 percentage points. Has the government thought of that possibility?

**Hon. Pat Bell:** Thanks, [caller]. We are looking at that. I should let you to know that reducing the HST turns out to be about \$850 million dollars per percentage point. So, if we were to reduce it by 2%, that's about \$1.7 billion - \$850 million per single point.

It may be manageable over time and we are considering our options at this point. It's been a relatively common theme in the calls that I have done. So, I'm going to put you down, [caller] as recommending a reduction in the rate and I encourage you to go to [www.hstinbc.ca](http://www.hstinbc.ca) and also register your views there. So, we're going to be considering everything that comes up in this and the more people that take a specific position around it certainly will enable us to respond to what the public are looking for.

**Moderator:** Thank you. For the benefit of people who are just joining us, Minister, I hope you can give us a recap on what we're doing tonight with this HST Town Hall

**Hon. Pat Bell:** Sure. Thanks very much. Sure, Lisa. Thanks everyone for dialing in to this.

We're covering off the Okanagan this evening which includes the Shuswap, Vernon, Kelowna, I should mention the West side of the Lake, and Boundary Similkameem. I'm joined in the office here by my colleagues Eric Foster, as well as Norm Letnick and Steve Thompson. And then on the line, we've also got George Abbott and John Slater.

Tonight is intended to be an information process for the public in those ridings. I'm not here to sell you on the HST, just hopefully to provide you with the facts. As you know, Premier Christy Clark, when she came to office in March, committed to moving the referendum forward from September to June. We have done that. And we think that it's critical that people are well-informed as they make their decision whether it is to keep the HST or to go back to the previous system where we had both the PST and the GST.

There's a couple of places you can get some additional information if you're looking for it. One is website [www.hstinbc.ca](http://www.hstinbc.ca). The second is starting after the May long weekend, there'll be a series of open public dialogues on the HST presented by different universities. So, there will be one in Kelowna on May the 30th from 7:30 to 9 at Kelowna Okanagan College. So if you're interested, that would be another good opportunity. And then third, there's a voter's guide or package that will be sent out to you with both the pro and con sides in early June.

So, my goal this evening is to hear from you, try to respond to your questions, but most importantly get a sense now that you've had an opportunity to live under the HST system for the last 10 months to tell us whether or not you think there are areas for improvement. So, Lisa, with that, let's go back and answer some questions.

**Moderator:** Hey, thanks, Minister. Our next question is from [caller]. He's from Kelowna and he wants to know why did they go ahead and implement it, but not leave all the exemptions in place.

**Caller:** When you went ahead and spent this HST on the unsuspecting public, you went ahead and decided to implement it on a lot of items that were exempt. And, I'm using as a specific example buying a second car. And before we can buy a second car used from someone other than a dealership, we can go ahead and register that car. The cost is only the GST. Your change made it that we have to pay an additional 7% which then resulted in coughing up quite a bit more. Now why didn't you just leave all the exemptions that were currently in place instead of umbrella-ing everything under this new tax?

**Hon. Pat Bell:** Thanks, [caller]. There's a few questions there. So, I guess I want to start out just by saying you know, Premier Christy Clark when she came to office a month and a half ago, committed to a new open style of government that tries to be responsive to the public, that listens, that tries to again, match our policies in taxation regimes to what the public is asking for.

So you know, I know that you're uncomfortable with the way the HST was introduced first without a dialogue about 2 years ago and then actually introduced last July. So, I guess, I want to, just out by saying, there's a new government, we've got a new premier and we are intent on being far more open and making sure that we're listening to the public.

In terms of the second car issue, or I think what you're really referring to is purchasing cars from a private person. You actually, I think you have it backwards. So, under the old model, actually, the PST component was charged when you went to register that vehicle, not the GST. So there was 7% charged not 12% or the additional 5%. And in fact, that 5% has been added. So, you're quite correct. But it is the opposite, it was 7% that was originally charged and then the additional 5%.

All these tax revenues go to the services that are provided across the province. And you know, for each individual, that may mean something different. Seniors of course, healthcare is absolutely critical. A big portion of our budget goes to that. For families, education is important. And then there's the rebates that come with it. So, we're not here, I'm not here to tell you that in fact the dollars come out exactly the same depending on your income level. I know there's an incremental cost to about 90% of British Columbians and we want to make sure that you're getting good value for your tax dollars. So, thanks for the question. I hope that clarifies the issue of the automobile purchase from a private person.

**Moderator:** Thank you, Minister. Again, I'd just like to remind everybody if you want to ask a question, you just need to press the star key and then 3 on your telephone keypad.

Our next question is from [caller]. She's from Kelowna and she wants to talk about what it would look like if the HST is repealed. Go ahead.

**Caller:** At the very beginning of the conversation, and thanks very much for having this meeting I think, it's a good use of technology. At the very beginning, you said that if we went back to the HST or the GST and the PST, does that mean it would go back to the way it was exactly before or we would put the PST and GST on all the things that are HST now? Or, I'm not understanding, I guess, what our 2 choices are.

In my mind it sounds like we spent a lot of money changing to the HST and we'd spend a lot of money changing back. Will we be any further ahead? And, you know, I just feel like I'm being taxed to death like I guess too, I was more in favour of the HST when I thought it was all across Canada. But when I heard it was only a couple of provinces, that really irks me. And you know, I've got a 1% cost of living raise and between the HST and the gas prices, you know.

**Hon. Pat Bell:** You're getting ahead of me here. I'm trying to write down your questions seriously, so let me jump in and I'll try and get some of them for you.

So, I apologize for cutting you off there. I just want to make sure I get as many of your questions as I can. So, I think the first one in terms of the cost of switching to the HST model versus PST. It was actually a net gain to the province. So we received \$1.6 billion from the federal government to help us transition over and we were able to transfer about 300 employees from the provincial government to the federal government that used to do the work of tax collecting and assessing the PST system. And that's a net cost of about \$30 or \$35 million per year. So, it was actually a net gain for us.

It came at an important time because as you'll recall, the economy had not been doing well and we were in a severe deficit position and we were able to take that money and not have to borrow the \$1.6 billion that we would have to borrow top rate at the level of services that were being provided. To go back to the old PST/GST model would require a significant cost. We think likely in the neighbourhood of annually \$35 million a year to reinstitute the system.

The one-time cost of about \$1.6 billion to repay the federal government. That would translate to about \$85 million a year in interest because we have to borrow that money, of course. And then also there's a revenue loss because the HST, as you've noted, does produce more cash for the province of you know, half a billion, three quarters of a billion dollars. So a pretty big hole in the budget.

You asked the question, does it mean we will get back to exactly the old PST system? And I can't tell you that tonight, we will and are doing that analysis, but if you add the numbers up the \$35 million, you know, operating the PST system, the \$85 million that it would cost for interest to service that additional in place \$85 million in debt. The lost revenue seem pretty clearly, there's a big hole in the budget that has to be filled somewhere.

So, we want to make sure you make a good decision and we'll try to provide you with as much information prior to the time that you vote on June 24th or shortly thereafter. But, I can't tell you that exactly this evening. Finally, I just wanted to point out, you said that you, I think you were of the view that BC is the only one or one of just a few provinces that has an HST system. In fact, there are only 4 that don't. And those are Alberta, Saskatchewan, Manitoba and Prince Edward Island. So, all of the other maritime provinces other than PEI do and of course, both Quebec and Ontario have an HST system. So, it would primarily be that, you know, PEI obviously is one but primarily, Alberta, Saskatchewan and Manitoba.

**Moderator:** Our next question is from [caller]. She's from Westbank and she has a question about what HST is on...

**Caller:** Hello?

**Moderator:** ..in terms of services. Go ahead

**Caller:** Hello. I'm just questioning why when the HST came in, that everything that is covered now that was PST exempt, like the PST used to be exempt from different services. We didn't have to pay for skiing or hockey or anything that the kids are using. All of a sudden all that is 12%. I know that GST was there but legal services didn't have PST on them. All kinds of services did not have PST on them and all of a sudden it is all covered, like it's such an inclusive tax.

Therefore, people are angry. We are paying so much more tax to go to the show. Another 7% on our when it used to be only - Like when seniors only have a limited income and they're living on that basic guaranteed income supplement, their standard of living is absolutely hurt with this?

**Hon. Pat Bell:** Thanks, [caller]. Appreciate your comments. And your assessment is correct. There are many items more that are taxed under the HST system. Our math says that about 80% of your spending would be taxed at the same level as it was before, and about 20% of your spending would have the incremental 7% on it. So we've done a pretty detailed review and that information is available on the website, which is [www.hstinbc.ca](http://www.hstinbc.ca).

But again, I'm not here this evening to try and sugar coat it or, in any way, suggest that there isn't another revenue stream and that people aren't paying more tax. We understand that. But that money, of course, goes to services to make sure that we provide the best possible service as we can.

You did mention a couple of specific ones that I just want to cover off. You talked about supporting equipment, different sorts of initiatives that would hopefully lead to a healthier lifestyle and support, particularly seniors. And you should know that as part of Premier Christy Clark's platform, she did commit to looking at tax relief on that sort of those sorts of activities. You may recall back in 2000..., I think it was late 2004, early 2005, she held a news conference and talked about the importance of creating opportunities for people to get their kids involved in sports and leading healthier lifestyles. It's something she believed in and she continues to believe in it now. And I know she wants to move forward on that initiative.

I'm going to put you down, I hope this is okay, Theresa. I know you can't... you're just listening at this point. But I'm going to put you down as a supporter of reducing the tax or eliminating the tax on kids' sporting activities, that sort of thing. And I would encourage you to go to [www.hstinbc.ca](http://www.hstinbc.ca) to actually make sure that your proper thoughts are registered.

Just for all the callers right now, I just want to let you know that altogether so far, we've had about 18,000 people signed on to this call through the seven ridings in the Okanagan. So I really appreciate everyone taking time out of their evening, this evening, to come and listen to us. And Lisa, with that, let's go on to the next question.

**Moderator:** We have [caller] from Vernon, and [caller] has a question about where the HST proceeds go and where can people get an HST rebate. Go ahead



**Caller:** Hello. It's nice to talk to you. What I was wondering about is what improvements have been made through the extra money that's been received from the HST proceeds? You've already answered my other question

**Hon. Pat Bell:** Thanks, Rhonda. And your MLA is sitting right here beside me, Eric Foster. Eric?

**Eric Foster** Good evening, hello.

**Hon. Pat Bell:** The primary focus was to not have to go further in debt, [caller], for the \$1.6 billion that the Federal Government provided us in transitional funds. So, because they provided us with that money, we were able to make sure that we didn't go further in debt in our annual deficit than we had to. It has been very challenging economically over the last little bit and so, it was important that we do that. So that was the focus of the funds and there's lots of detail on [www.hstinbc.ca](http://www.hstinbc.ca) if you're interested in getting a bit more. I hope that answers your questions

**Moderator:** Our next question is from [caller]. And [caller] wants to know which tax did you administer on the back end? Go ahead, [caller]

**Caller:** Yes, I'd like to know, there is the HST and the PST and GST. Which tax is more expensive to administer in terms of you know, refunds for businesses, payments for businesses as well as the general public? You say that you took in \$100,000 dollars. What percentage of that would go to administering the HST versus the PST and GST?

**Hon. Pat Bell:** Thanks, [caller] for the question. Appreciate it.

So, it is a complex question but I'll try and keep the answer as simple as I can. So the cost to the Province to collect and administer the PST was about \$30 million per year, maybe approaching \$35 million. That service is now provided to us free of cost by the federal government. It is because it's simply a question of them collecting 11%, probably 12% as opposed to 7% or 5%. My numbers are all over the place tonight, holy cow. I better get this straight.

So, the Federal Government was collecting 5%. It is now collecting 12% and there is no incremental cost to them to do it. So, much more efficient, a savings to the province of \$30-35 million per year. The analysis that we have done of the private sector is that there is a savings of about \$150 million in not having to administer the PST and assess small business owner. Myself, I can attest to the complexity of the PST system. I was involved in that when I was in the logging industry, the restaurant industry. It was very, very expensive and very complex to administer and a big savings, but \$150 million to business and about \$30 million less to government

**Moderator:** Thank you. Our next call is from [caller]. She's heard businesses would drop prices. They haven't seen that just yet. So, she had a question about that. Go ahead

**Caller:** Hello. Thank you for taking my question.

One of the things that were, was told to us when they were bringing in this, the HST, that it was going to save business so much money that we would see savings down the line. Well, I can tell you that we're not seeing the savings. In the last 10 months, if anything, prices across the board have gone up. Everything has gone up, plus we've got the extra HST on top of that. It's extremely frustrating for someone on the low end of the income scale.

**Hon. Pat Bell:** Thanks, [caller]. Sorry, did you have another question there?

**Caller:** No, that was basically it.

**Hon. Pat Bell:** Oh, great. Okay. Well, thanks very much, [caller].

So, the best information that we have and this was released last week in the Independent Panel reports. So, this is not government saying it, it's a panel of experts including George Morffit suggested that the price decreases actually will occur over time and likely what it is, is a reduction in price increases. And I think that's probably the best economic science - economics is a science - it tells us that, rather than a decrease in price, it is a slowing of price increase. Most of the science says that that occurs over a year to 2 years.

So, I think that's kind of what we will see over time: the slowing of the price increases. Also it's important for you to remember that we do provide the HST rebate and that goes over to a million British Columbians. 1.1 million British Columbians receive the HST rebate and it's about a quarter of a billion dollars per year that goes out. So, \$230 per person, depending on the size of your family that kicks out at around \$50,000 dollars for a family of 4. They would no longer be eligible for that so it gets scaled in. So [the credit] is intended to help offset some of those costs.

I should just mention as well that, I understand we're up to 23,000 people that are participating or participated in this call. So congratulations to everyone. You're clearly interested in getting more information on the HST and we appreciate you staying on the line tonight.

**Moderator:** Thanks, Minister. Our next question is from [caller]. She's from Vernon. And she has a question about actually having a debate on the HST, a televised debate. Go ahead.

**Caller:** Yes, thank you for taking my call. I was just wondering if you would televise this debate about HST. You say, you're sending out a pamphlet or information on it and a lot of people have trouble, you know, reading especially if it's a lengthy issue. I was just wondering if you could televise it and after you've sent the people this, I don't know, those brochures or whatever you're sending, if you could just televise this so that they could refer to it but understand, you know, understand it better?

**Hon. Pat Bell:** How true. Thanks, [caller]. Appreciate that.

So, I had mentioned earlier on that there are a series of dialogues that are hosted by the colleges and universities around the province. I think that what we have heard pretty clearly from the public is they just want the straight facts. They're tired of hearing people that are opposed to HST on ideological grounds. They're tired of hearing frankly, from politicians who are saying that HST is a good thing. So

we're trying to simply provide you the facts. So to that end, rather than having debates, we've asked the colleges and universities in the province to host these dialogues. There's one in Kelowna, I know that's a bit away from you. They're in Vernon, on May 30th from 7:30 to 9.

But as a result of your comments, I'm going to call the Shaw Cable folks and see if they would be willing to help provide that information to you. Shaw is usually pretty good. They like to get information out to the community and I think it would be great if they would videotape some of these dialogues that are presented by the universities and play them over. So, I hope that would be helpful to you. I hope that Shaw takes us up on that offer. And also, just to encourage you to go to [www.hstinbc.ca](http://www.hstinbc.ca) because there's lots of good information there and you can certainly get lots of questions answered there. So big thing, go out if you're listening, [caller], and taking the time to really think through your decision before you mark your ballot.

**Moderator:** Thank you. Our next call is from [caller]. Question about alternatives to the HST. Go ahead.

**Caller:** I think, that's me.

The question really is, is there a way legally for the government to present an alternative prior to this referendum? I don't know if that is an option of it's something that we have to wait until we completely throw out the old, the new rather, and go back to the old and then try and figure out how to balance the budget?

**Hon. Pat Bell:** Oh, I'm so glad you asked that question, [caller]. Thanks so much.

And yes, we will be presenting publicly what the option will be. We've heard very clearly under Christy Clark's leadership that people are unhappy. That's why I'm on the phone tonight with Blair Lekstrom, my colleague from Peace River; as well as Kevin Falcon Finance Minister are both on the phone tonight to other parts of the province. There are 23,000 on this call.

It wouldn't surprise me if they have the same so it's probably 75,000 people tonight thinking about the HST and talking to us and asking questions. So, our commitment is to make sure that you have the best possible information you can get prior to June 24th when you are asked to mark your ballot. And if we are able to make changes to the HST, we will clearly articulate so you know exactly what our commitment is so when you mark your ballot you will do it with the best possible information you can. So, thanks so much, Jim. That's an important question

**Moderator:** Thank you. We're going to take the opportunity now to do the second of our feedback questions to get your feedback on the HST. Again, I'll ask for your preferred answer by pressing the number on your keypad. Please listen carefully to the options. I will read the question and the options twice. Here is the second feedback question.

If British Columbians choose to return to the PST plus GST system, there will be a negative impact to the provincial budget. If you could pick only 1 option to make up the revenue difference, which of these would you choose? There are 4 options.

Increase the PST rate, press 2.

Raise personal and corporate income taxes as well as other taxes, press 3.

Run larger deficit, press 4.

Or cut government spending, press 5.

I'll repeat the question again and the answers.

The question is, if British Columbians choose to return to the PST plus GST system, there will be a negative impact to the provincial budget. If you could pick only 1 option to make up the revenue difference, which of these would you choose? There are 4 options.

Increase the PST rate, press 2.

Raise personal and corporate income taxes as well as other taxes, press 3.

Run larger deficit, press 4.

Or cut government spending, press 5. Thank you again.

So, we're going to take some more questions now. Again, if you want to ask a question, just touch your keypad and press the star key and then 3. Our next question is from [caller] and has a question about agriculture and the HST. Go ahead.

**Speaker 20:** Hi, Pat. How are you doing tonight?

**Hon. Pat Bell:** Good, [caller]. Thanks for calling.

**Caller:** Well, I'm just wondering how the HST is going to benefit agriculture

**Hon. Pat Bell:** Well, it is one of the industries that does very well under the HST model.

You will recall I was Minister of Agriculture about 3 years ago or so, I guess. So the message that I consistently heard from the farming community was they were very frustrated with the PST model on how they need to get special exemptions all the time. There were constantly people looking for other products that they could exempt another piece of equipment or tools or parts or all that sort of thing. Under the HST model, of course, all of that is considered as an input tax credit. So, it is a significant savings from the agricultural industry's perspective. Lots of different data around, but big administrative savings. No longer have to have 2 taxes, nice and clean and simple. And agriculture I think clearly is one of the industries along with forestry and mining would be 2 of the other ones that are big beneficiaries from HST.

**Moderator:** Thank you. Our next question is [caller] in Kelowna. And he has some comments on the tax on resort communities. Go ahead, [caller]

**Caller:** Good evening, Mr. Minister. This is most appropriate, this forum being so important that it's worthy of spending more time on this.

I have some observations after 10 months of experiencing the HST and my concern is both for small communities in particular the resort communities who have experienced a significant downturn in the sale of lots and new home or condos since the implementation of the HST in July of 2010.

Our product has become too expensive. As a result of this downturn, developers, home builders, trades and supplies have not been able to maintain their normal current business levels which now in fact are starting to adversely affect the community at large. To correct this important issue, I have a couple of recommendations I'd like to share with you and your colleagues. My first recommendation is to put people back to work and give an opportunity for our builders and suppliers to regain their business. Our first suggestion is to grandfather our lands, homes, and condos that were in inventory prior to the July 1st implementation of the tax. This would aid in the sale of the existing inventory which must be moved to put our people back to work. All new developments going forward including land, homes and condos would be subject to the HST tax in the future. My second recommendation is effective the first of July, exempt HST tax on the purchase of all new secondary homes, condos and lands in resort communities that primarily cater to provincial recreation and tourism activities.

That removal would help communities to regain their popularity and economic improvement. And finally, the third recommendation is to simply to bolster and to promote the construction, recreation and tourism eliminate the property transfer tax on the purchase of all new homes and condos in resort communities. This incentive would help to recapture the Canadian residents who seek the purchase of second homes or recreational property in the USA or other jurisdictions. We're losing business abroad and we don't have attraction to reinvest or invest in our own province.

**Hon. Pat Bell:** Thanks, [caller]. Appreciate it.

So this is very similar to something I heard last week. So, I have your recommendations down, the grandfathering clause for properties that were built prior to July the 1st 2010. The secondary homes. So, if you have purchased as an example, a condo on a ski hill or something of that nature, the property transfer tax certainly is another issue that is separate from the HST. But, I've heard this in my travels as a Minister responsible for tourism, that the secondary home issue and HST is an important one. So, just to encourage you as well, Robert, if you would go to [www.hstinbc.ca](http://www.hstinbc.ca) as well and register your comments 'cause I think that's important.

**Moderator:** Thank you. Our next question is from [caller] from Summerland and he has a question about the duplication of services. Go ahead.

**Caller:** Yes. Glad to be on the phone speaking with you.

What I have to say is about duplication of services. You say that if we drop the HST 1 percentage point, we would lose \$850 million. In one instance alone, MSP and Pharmacare should be joined together because as this stands now, they don't talk to each other. You can't get them to talk to each other and it's just a duplication of services on their half and also on my behalf because I have to send in forms to both of them that say exactly the same thing, have exactly the same copies in them to get anything done. And one always takes longer than the other. If they could do everything together, we would save

a lot of money. And that goes for a lot of other services as well. And I think you could save money and still reduce the HST. And I believe the HST is good if we could do these things. That's all I have to say about it.

**Hon. Pat Bell:** Thanks, [caller]. Appreciate the call and you know what, that's actually the first time the issue of MSP and Pharmacare has been flagged for me. I do have someone from the Ministry of Finance here with me just to make sure that I hopefully get all the answers right this evening and he looked at me and nodded his head and said, you know what, that's a very good point. We should be looking at that. So, thanks, Bob. Appreciate it.

That's what these Town Hall meetings are good for and who knows, maybe it just changed taxation policy in the Province of British Columbia for the coming decades.

**Moderator:** Thank you. Our next question is from [caller] and he wants to know about the HST and creating jobs. Go ahead. Hello?

We'll go into the next question. Our next question is from [caller]. She's from Christina Lake and she is wondering how the government is (taking?) people where the HST is good for small business. Go ahead, [caller].

**Caller:** Well, hello. Thank you. Good evening, Minister Bell. Thank you for this town hall meeting. It's just excellent. I think it pretty much answered the question. I think that the HST is very good to have it implemented, put it together. The PST was a pain to do mostly. Having the HST is really good but I certainly see a lot of people out there who think that they are having a whole bunch more of services taxed. A lot of people didn't realize that labour was already being taxed in many instance like us with (???) for instance. I just wondered if you are or, you know, how to make people more aware that it is excellent for small business.

**Hon. Pat Bell:** Well, thanks very much, [caller]. Christina Lake is a beautiful place. I'm envious that you get to live there especially for the summer months.

So, but the question you asked or the comment you made I think is up there. And it really is a question of very poor information out there and we take some blame for that. There is no question that all of my colleagues and I share responsibility for not getting good information out earlier. Under the leadership of Premier Christy Clark we're endeavouring to try and do that and do it in an unbiased way so that people just have the facts and can make a fair decision. I did mention earlier on, this evening, that our analysis is, and in fact the Independent Panel report also states that, on average, about 80% of spending has not changed in terms of the incremental tax associated with it; about 20% of your spending does have the incremental tax that did not have it before. So, that's I think a general rule of thumb.

It does, in fact, have a cost, we understand that, but it also supports the economy and makes it much easier to administer a small business and small businesses generate over half of the jobs in the province of British Columbia. So, we know that helping small business is always a good thing.

**Moderator:** Thank you. Our next question is from [caller] and they want to know what will be the price tags for BC if the tax gets repealed. Go ahead. caller?

**Caller:** Hello.

**Moderator:** Go ahead. You can ask the question.

**Caller:** Can you hear me?

**Hon. Pat Bell:** Yeah, you're back, [caller]. Go ahead.

**Caller:** I was just wondering so why this conversation didn't happen before Gordon Campbell left office? Why is this happening now and not then? We should have had it. We should have had a voice then and not now. So, can you answer that?

**Hon. Pat Bell:** Well, true, [caller]. I'm not going to make any excuses. It is what it is and we are where we are.

What I know is that we've got a brand new Premier in the Province and she has mandated that we have as clear open accountable government as we possibly can and that includes other initiatives that we are participating in. I was involved in a town hall meeting in Richmond and another one coming up this week. So, those initiatives are something that Christy feels strongly about and she has pushed all of us to participate in so I guess we're just saying, you know that we hope to put the past behind us. We know we didn't do a good job with implementation and we want to provide you the information that you need in order to make a decision in as unbiased a way as we possibly can. And whatever decision you make is the one that we are going to take and implement. So, [caller], new government, new pace. It's all about change and trying to listen and be accountable to the public.

**Moderator:** Thank you. Our next question is from [caller] from Kelowna and his question is how much will we save when we switched over to the HST. Go ahead, [caller].

**Caller:** Thank you very much and I really appreciate this thing.

The first thing you've already answered me and I didn't realize that \$35 million dollars are now, when the PST was in operation, that \$35 million a year was costing. Now the people, who are now, who are doing the PST, where did they go?

**Hon. Pat Bell:** Most people are Federal - currently located with the Federal Government. So, they got moved over to the Federal Government and the Federal Government just accumulated them and are utilizing them and it really doesn't require any more people to administer.

At least, I can tell you as well, just so you know, we are now up to over 30,000 people that have participated in tonight's call. So, a big congratulations to everyone throughout the Okanagan and all southern and northern part of the Okanogan and up at the Shuswap, I really appreciate you coming on and staying on this evening.



**Moderator:** Thank you, minister. Our next question is from [caller], from Armstrong and her question is why is there only a rebate for low income people? Go ahead.

**Caller:** Hi. My question was is why is there rebate given to what you call low income families and no one else and the reason I'm asking that is when I have a family of 7 children with my husband and myself, and even though we are not what they classify as low income, we're not under 38,000 we were still under 50,000. We don't get rebates. We pay full medical.

The HST, when it was implemented and came out, you're right, 80% didn't change. The 20% that did was, again, for families with children - I end up with 2 taxes on sports and recreation, 2 taxes on my children's clothing I've never had before, 2 taxes on school supplies. People, the majority of non low income, not low income wages but people such as on welfare, they get a full family allowance. I don't get any. They get housing supplements that come in for their low income housing. They also get money given to them at the beginning of school start-up. They help them with the school supplies.

**Hon. Pat Bell:** I just need to ask you one question if I can.

**Caller:** Sure

**Hon. Pat Bell:** I wasn't sure that I understood that you have 7 children for a total of 9 in the family or is that a total of 9 in the family?

**Caller:** Yes, I do

**Hon. Pat Bell:** So, a total of 9 in the family? Okay. So, let me tell you that - so, let me just jump in here.

Because there's a, you've asked a bunch of questions and I want to try and get to as many of them as I can. The first one and this is the most important one and if this is not happening, we need to know this and I would encourage you, Armstrong I think is Eric Foster if I'm not mistaken? No, sorry, George Abbott is the MLA; so if you're not currently getting the HST rebate, you need to go to George Abbott's office and talk to him. The rebate amount for you, for a family of 9 could be potentially up to over \$2,000 - \$2,070.

Now the income level that you would lose the total benefit of that would be something around 76 or \$70,000 in income. So, you said earlier that you were lower than that and in fact if you're in the \$50,000 range, you would have a substantial HST rebate every quarter. Now maybe that's being direct deposit to your account. If it is, you might not have noticed that it went up. But it's part of the GST rebate. So, as of July the 1st 2010, you would have seen this larger amount of money coming on your quarterly GST rebate. So, I need you to look at that and make sure that that you're getting the advantage of it and if you're not, I'd encourage you to go and see George Abbott or any MLA or go to any government office.

Eric Foster, of course, would be happy to help. He's with me in the room tonight. So he's nodding eagerly and saying yeah, come on, see me. The other thing you mentioned that a bunch of the exemptions and now, I'm going to have forgotten some of them, So I apologize for that. I do know you mentioned children's clothes. The difference there is we went to a children's size clothes as opposed to

children's clothes. So as a question of the size of clothing, so much of the clothing that you would have purchased in the past for your kids would still qualify. It's just easy to admit, easier to administer when it's a size as opposed to an age factor.

And you also mentioned I think some items around things like sporting equipment and product cost, the cost for your kids to participate in different sports. I can tell you that Christy Clark, our new Premier has committed to bringing forward a new model for tax to encourage people to participate in sports, in particular the youth and I'm anticipating that we'll be seeing that around the corner here. So, lots of good questions tonight. I totally appreciate them. Please make sure you're getting that HST credit. That's very very important and if you're not, we want to know about it and make sure you are getting it.

**Moderator:** Okay, thank you. Our next question is from [caller] and he has a question about HST and this tax system. Go ahead, [caller].

**Caller:** Yes. I'd just like to know, HST was originally put forward as being revenue neutral and obviously it's not. It's costing some people more money. Why is it not possible to go back to that premise now, making it revenue neutral and then address the implications of the lower tax revenue by the province? It would seem that that's a much more straightforward way of addressing the issue.

**Hon. Pat Bell:** Well, thanks, [caller] and I think that's a good suggestion. I'm going to mark it down as that you are in favour, perhaps considering a decreased rate to the HST to reflect revenue neutrality.

There is some confusion about this issue out there. The commitment around revenue neutrality actually related to the carbon tax and I know there's lots of people that believe that it also relates to HST. I've provided this many many times so you're not alone in your belief that that is the case. But the actual commitment government made and we've upheld that commitment was revenue neutrality around the carbon tax. Of course, your income tax went down when the carbon tax was implemented. But your point is a fair one and what I am going to read into your comments is that you would be in favour of reducing the HST rate in a way that would reflect a revenue neutral model.

I'd also encourage you to go to the website which is [www.hstinbc.ca](http://www.hstinbc.ca) and register your thoughts there as well because we're going to be incorporating all of that into our final decision prior to June the 24th when we ask you to vote. We will be presenting you with our thinking on what we could do to improve the HST.

**Moderator:** Okay. Thank you. Our next caller is [caller]. He's from Sorrento and he has a question about how the HST applies to business which is spread across Canada. Go ahead.

**Caller:** Hello. Thank you very much for doing this. I really am impressed by this kind of system that you guys implemented. It's really great to be able to participate in things like this.

But I'm very confused about the HST applied across Canada, I do custom machine and, I have clients all across Canada and into the US. When it first came in I thought that I only had to collect HST for BC. But I was informed by some fellow vendors and stuff that I actually have to collect HST clear across Canada and keep track of all the different tax on that which is getting to be a real pain in the butt.

**Hon. Pat Bell:** Well, thanks, Stan. I appreciate your call and Sorrento is another one of my favourite spots in the province.

So inter-provincially, there are some challenges around this, and we want to make sure that the administration is as easy as it possibly can be. The most important thing is the rules under the HST and the GST system were the same. So, what we've been able to do is completely eliminate the PST component of the system so that you didn't have that overlapping administration in your machine business and I have friends in Prince George where I come from that are in the machining business as well. So, the current model is similar to GST would have had to do that work anyways under the GST model and the removal of the PST hopefully will reduce the involvement that you will have with the taxation system.

In addition, of course, you get to claim the input tax credits against any tax that you have had to pay out in the process. So, the answer I think is - the complete elimination of PST and the work that you're doing you would have done under the previous GST system as well.

**Moderator:** Thank you. We have time for a few more calls. Our next call is from [caller] from Kelowna and he has some questions around tourism and the HST. Go ahead, [caller].

**Caller:** Thank you, Minister Bell, for doing this.

One comment before we got into this -You just a little while ago mentioned neutral or HST being revenue neutral, I was in my MLAs office, Steve Thompson, and he told me it was a revenue neutral - and I understand how that confusion got out there.

But my issue is the tourism business. I think at this state, the tourism business is taking a fair hit. We're in Kelowna and I also have some interests up on the ski hill out in the area and I am now subject to HST with essentially very little by way of input tax credit because most of my expense of course was interest and other things. So, the cost to clients has gone up. My bookings are down and when they get to the resort, then they have to pay HST on all their restaurant meals and all that stuff they didn't have to before and I think there's been a real shift in the way this tax affects people. It benefited mining and forestry and agriculture, but it has taken, it's punished other industries and I think that's got to be recognized as you go forward.

**Hon. Pat Bell:** Thanks, [caller], and you know, when you talk to [caller], we get updated by stats Canada on a regular basis and initially as stats Canada told us, they believed that we would be about revenue neutral, that is not the case and we've been trying to be very upfront with that for people.

We didn't want people to think that we weren't being upfront with them. In your case, [caller], with regards to ski hill and I'm not sure I missed the other tourism activities you're involved in earlier on. There is no question there has been incremental cost associated with tourism, with that type of thing. One of the things, I'm just kind of making this note, and I've encouraged you to go to [www.hstinbc.ca](http://www.hstinbc.ca) to register your thoughts on this. But as I said earlier, Christy Clark has been really clear in terms of her

interest in reducing cost for families, in particular around sporting activities and making sure that kids have the opportunity to stay healthy and participate in the activities as we all did as kids as we grew up.

So you might want to go to the website there, [www.hstinbc.ca](http://www.hstinbc.ca) and register your thoughts around sporting activities and how they might be reduced. So we're prepared to consider targeted relief. We've heard from people perhaps a reduction of a percent or 2. Others have suggested specific relief around different types of initiatives that weren't previously taxed and just encourage you to think about that and I'm going to mark you down just in my book anyway as someone who's interested in tax relief for sporting activities and tourism activities.

**Moderator:** Thank you. Our last call is from [caller], he's is from Armstrong and he has a question about how referendums will get passed and what majority is needed to pass this one. Go ahead, sir.

**Caller:** Good evening and thank you for giving me this opportunity.

It's been most interesting. Before I pose a question, I'd like just to make a couple of comments. I'm in favour of the HST and to those people that are against it, I would ask them where they think the money is going to come from to improve our infrastructure and pay for our aging population's health care.

My question is that my understanding was that the legislation which was used to force this referendum on the government of today stated that a majority of 60% was needed. Subsequently, I believe that Premier Campbell said he would accept the simple majority. Are we still going with the simple majority or are we following the letter of the legislation which I believe requires a higher standard for the legislation for the HST to be overturned?

**Hon. Pat Bell:** A really good question. So, there's a couple of things that have occurred.

Previous Premier Campbell did commit to changing the threshold of which was required to pass the referendum. So under the Initiatives and Recall Act, it would have required 50% plus 1 of the registered voters of British Columbia to vote to remove the HST. That is a very very high threshold. In fact, probably unlikely to be successful in, I believe almost any event because in most general elections, only about 50% of the people vote. So, you'd have to have a 100% of the people that voted vote to remove the HST in order to meet the threshold.

Now, we thought that we needed to be responsive and listen to the public on British Columbia. So previously Premier Campbell did commit to the 50% plus 1. Now we have since switched from the Initiative and Recall Act to the Referendum Act. In fact, our legislation has been in front of the house this past week or so to allow that to happen. The referendum act, inside the act, requires 50% plus of whoever votes in order for the referendum to be passed. So the threshold is actually enshrined in the Referendum Act and continues to be a 50% plus 1 of who ever votes.

We want to make sure that everyone has the opportunity to vote and that's why we decided to have the mail-in ballot instead of the actual ballot all taking place on one specific day out of June the 24th. So it's very important vote for everyone and really pleased that you're taking the time to think this through and make a position clear.

**Moderator:** Thank you. So our time's almost up for tonight's town hall. Minister, do you have a few closing words for us?

**Hon. Pat Bell:** Well, thanks so much, Lisa, and I want to thank everyone on behalf of my colleagues, Eric Foster, Steve Thompson and, Norm Letnick, John Slater, George Abbott, everyone up and down the Okanagan Valley.

This is an extremely important issue for British Columbians and whatever the outcome is, we are prepared to accept the outcome. But we want to make sure that all of you as voters have the best possible information you can have prior to marking your ballot. You deserve nothing less than that. In fact, we know that there has been lots of information out there that people question whether or not, and that's why we decided to go with an Independent Panel with people like George Morfitt, Jim Dinning who are very respected individuals to put together the information.

We know that this is controversial as an issue, but I think that the Independent Panel report really provides the type of information you'll want to have prior to making your decision. The combination of that along with the public forums that are being held by universities across the province. I'll just remind you that May the 30th from 7:30 to 9:00 at Kelowna Okanagan will be one of the ones in your area. The website and the voter packets that will be coming out. All will hopefully provide you with that information.

I think it's tremendous that 30,000 people, over 30,000 people decided to take part and get, I think, what hopefully has been a good balance of information. And I know I've appreciated the questions that all of you have asked. So on behalf of my colleagues, thank you so much for taking your time out this evening and we look forward to being able to continue to communicate with you again in the future.

**Moderator:** Okay. Thank you, Minister. Just a reminder that if you didn't get a chance to comment or ask your questions, you still have an opportunity to do so.

If you stay on the line, once the call is finished, you'll hear a prompt and then will be able to leave a message. Thank you again for participating and thank you, Minister, for your time. And again, if you want to leave a comment, just stay on the line.

Now, I'm going to sign off the town hall. Thank you so much for your time tonight. Goodnight.

## APRIL 27, 2011 - PEACE RIVER TELEPHONE TOWN HALL

Host: Minister of Transportation Infrastructure, the Honourable Blair Lekstrom

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
22,224	9,897	5,878	21	59%	106	17

### Synopsis

Telephone Town Halls on the HST began April 27, 2011 with the Peace River region. This call was the first of eleven regional town halls conducted by Government with British Columbians.

Minister Lekstrom responded to 17 questions and/or comments during this call. Issues that arose from citizens of the Peace region included the following:

- Cross-border shopping in Alberta: there's less tax on goods in Alberta; local businesses are losing customers and business;
- Confusion or disagreement with how the HST will benefit seniors or people on fixed income, young people with families, farmers, or middle-income working people;
- Interest in how Government will navigate, and pay for, a return to the PST and GST system if the HST is rejected in the referendum;
- Appreciation for the interactive public engagement process on the HST; why government didn't pay attention to the public before implementing the HST;
- Suggestions to reduce the HST by 1-2 per cent; suggestions for HST exemptions.

### Questions/Comments to Minister

*"That 20% extra that we get taxed on; it would be a great if you could reduce it (HST) to 10%."*

*"I don't mind paying a little bit extra as an individual as long as all of BC benefits. I'm stuck in between voting yes or no."*

*"I'd like to thank you, this is a great idea. I'd love to see more of this kind of interactive stuff...makes us feel a little less like peons at the bottom of a large government."*

*"How is this going to affect us since Alberta doesn't do this? Now we have an HST and a higher tax so we are very concerned."*

*"My understanding of the HST is that it has been actually a positive boon to most businesses because they don't have to do two taxes...we are being told as consumers we're going to see some of that savings. Most people I talked to don't hold a lot of hope for that."*

### Stats to come from Campaign Research on question types

## PEACE RIVER TELEPHONE TOWN HALL SUMMARY

Date: April 27, 2011

Host: Minister of Transportation Infrastructure, the Honourable Blair Lekstrom

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**April 27, 2011 Transcript: Peace River Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST town hall with BC's Minister of Transportation Infrastructure, the Honourable Blair Lekstrom. My name is Lisa and I'll be the moderator for the town hall this evening.

Before we begin, I'd like to give everyone some information on how this town hall will proceed. The Minister will have some short comments and then we will proceed with the live question and answer period. A short word about privacy; this call is being recorded and will be transcribed so if you don't want your ideas, comments or opinions to be part of the transcript of this call, I recommend you remain in listening mode.

In order to include as many questions and comments as possible on this call, please keep your questions short and to the point. If you wish to ask a question, please press star 3 on your keypad. I'll be repeating that throughout the teleconference. An operator will come on the line to ask you a few questions. Please use only your first name when speaking to the operator. We want to hear a wide variety of views and questions from the audience tonight. The operator will make sure we reduce duplication.

After you've spoken with the operator, you'll be queued up to ask you question. When you hear me announce your name, your line will be open and you can ask the Minister a question. After you've asked your question, the line will be muted so the Minister can respond and you will be placed back in listening mode.

Please note, there will only be question and answers during this town hall; we won't have time for a supplemental question as the Minister wants to hear from as many of you as possible. I also ask that you use polite language and be respectful on the call. Anyone using bad language or swearing will be cut off.

Later on the call you'll be able to provide your feedback on the HST directly to government by answering a couple of multiple choice questions. This is not a scientific poll for feedback; rather it's an opportunity to engage you on some important questions about the HST.

Thanks for your patience everyone. We'll do our best. We may not get everyone who has a question or comments for the Minister tonight, but if you stay on the line until the end of the town hall, you will have a chance to leave your comment and record a message. Again, if you want to ask a question, please press star 3 on your keypad.

I'm now going to turn this call over to Minister Lekstrom for his opening remarks. Minister....

**Hon. Blair Lekstrom:** Thanks very much Lisa and good evening everyone. Thanks for joining us on this town hall meeting here this evening. I'm looking forward to hearing what you have to say about the tax and if you have ideas on how to improve it, if it remains, which is an unknown at this point.

The public of British Columbia earned the right to have a say on the HST. I think it's fair to start off by stating that the government recognizes that have we taken the position, starting with tonight, in communicating with the population of British Columbia about this tax; about what the implications are

to individuals, families and businesses. We probably wouldn't be in the position we're in facing, coming in June, but the public of British Columbia made a very clear, very quickly after the government's decision to move to the HST, that a major tax policy shift like this is something they want to be engaged in, they want to have the ability to do exactly what we're doing here this evening.

So I sum it up this way for most people I'm speaking with; I wish government would have begun this process 18 months ago. We didn't. As a government we are where we are today. I think most of you will recognize that when Premier Christy Clark came to office in March, one of the first things she did was to act on her promise to immediately move up the date of the HST referendum from September to June. We're doing that. We're going to a mail-in ballot process versus the going to the polling station. There are a couple of reasons for that. It will save the taxpayers of British Columbia about 18 million dollars - in that range - as well it will give flexibility to people that may not be around on a single voting day.

There are a number of dates that are going to be put forward in the coming weeks. You will note that starting during the week of June 13th ballots will be mailed out to homes around the province. By June 24th, mostly you should have your ballot, July 22nd is the deadline for ballots to be received by Elections BC and on July 25th the ballot count will begin.

Tonight, what I would like to do is listen to you. I will do my best to answer the questions. If we do have technical questions that we're unable to answer on tonight's call, I'm going to encourage you to visit the website at [www.hstinbc.ca](http://www.hstinbc.ca). If that doesn't help, then feel free to give my office a call at 250-387-1978 and we'll make sure we get the information and the answers you need.

Two things we want to accomplish here tonight, I want to hear what you think about the HST; about the implications - we've experienced it now for close to 10 months - as a province and as individuals and businesses. The second thing I'm interested in is... I want to know whether you have the information you need, as a result of this call and other avenues, to make an informed decision about the HST when we go to the upcoming referendum.

It's very interesting I think, again, it would be fair to say, and I'm a British Columbian first, everybody has an opinion. The important thing is that we have an informed opinion before we cast this ballot. So with that, I just want to assure you that all of the feedback we hear this evening, and as we go through this process - we're starting in the Peace region tonight - it's our first telephone town hall meeting on this issue. We're going to include every region in this province. What we hear, we're going to take that feedback and we're going to determine what options we have from the ideas that are presented to us here this evening. So with that, let's get started with the first question, and thank you again for joining us here this evening

**Moderator:** Thank you, Minister. I'd like to remind everyone again, if you want to ask your questions, please press star 3 on your keypad. So we're going to take our first question. We have [Caller]. [Caller] from Fort St. John and he has a question about your position on the HST and how it changed over the last 18 months?

**Caller:** Hi, Blair

**Hon. Blair Lekstrom:** Hi [Caller],

**Caller:** You know, a year, 18 months ago, you had a very strong position on the HST and now that seems to have changed dramatically and I'm just curious you know what's new, what's changed your position?

**Hon. Blair Lekstrom:** All right, thanks. I think that's a great question to start. Actually, my position on the HST hasn't changed. I go back to 2002 when I first chaired the Finance Committee in British Columbia and began learning about the HST through presentations.

The reason I made my decision last June to leave government wasn't because of the HST as a tax policy, it was because of government's unwillingness to go out and engage the public. The decision was made with the best interest of British Columbians and mine, there was no malicious intent. Everybody was caught up in the global economic meltdown including our government and our province.

The decision was made, I think, in too much in a cocoon. I was part of that decision though so I won't sidestep that, but it became clear very quickly after that decision that the public said, 'hold it; this is a major tax policy shift. We want to have some say in this; we want you to engage us; we don't think you went about it properly.' I agree with not only the residents that I represent up in the Northeast but with all British Columbians. I took the approach with government that, you know, I support the public on this; I think we should put the brakes on, go out and engage the public before we implement this, and that was the reason I stepped back from government.

So what we're doing tonight and through the next while is talk about what the HST means with the public. We'll host these town hall meetings, we'll send out packages of information. I wish we would have done this 18 months ago and I wouldn't have made the decision I made last June, to be honest with you. So, that's it. So if there are - and I've had a couple of people say, 'your position has changed on the HST' - as tax policy, I think it's sound tax policy. It does impact us in different ways - about ballpark 17 to 20% of the products that we never used to have - the PST now has the HST on it. So it's good tax policy. I think it can be improved and that's what I think we're going to hear from you out there. But I want to reiterate my position hasn't changed. I've always - going back to 2002 - thought the HST was a good tax policy. The one we have before us today, do I think it can be refined and made even better? Yeah, and that's it for today. At the end of the day, this is going to be up to British Columbians to decide. So [Caller], I hope I answered that for you. If not, I'm sure you're going to give me a ring at my office in Dawson and we'll continue the discussion. Thanks though.

**Moderator:** Thanks, Minister. Our next question is from [Caller] in Dawson Creek. [Caller] wants to know about the advantages for the ordinary person. Sorry. Our next question is from [Caller] in Dawson Creek and she has some questions about small business and taxes. Go ahead, [Caller]. Sorry about that.

**Hon. Blair Lekstrom:** Hi [Caller],

**Moderator:** Are you there? Okay. So our next question will go to [Caller] in Dawson Creek and he wants to know about the advantages for the ordinary person on the HST. Go ahead [Caller].

**Caller:** Hello

**Moderator:** [Caller]?

**Hon. Blair Lekstrom:** Hi, [Caller]

**Caller:** Hello?

**Hon. Blair Lekstrom:** Hi...

**Moderator:** Go ahead [Caller].

**Caller:** I'm not getting you.

**Hon. Blair Lekstrom:** [Caller] can you hear me? This is Blair.

**Caller:** Yeah, I can now.

**Hon. Blair Lekstrom:** All right, go ahead with your question [Caller].

**Caller:** I was just wondering what the advantage is. Like, I'm retired. I'm 70 years old and what advantage could there possibly be in this HST for me? Other senior citizens, retired, you know, like to don't like to see government and company gains.

**Hon. Blair Lekstrom:** That's a good question, [Caller]. I think at the end of the day, I don't talk to too many people that like paying taxes regardless. We're talking PST, GST, HST, whatever it would be. The reality is though taxes are part of what it takes to run the province, run our healthcare and roads, social programs and all of that, so based on the advantage from a provincial perspective - and I look at it from the perspective of you and I - I mean I've lived in the North all my life, I plan on staying there. I'm a British Columbian first long before I'm an MLA or a Minister so the advantage that I see is it allows us to be competitive.

We live in this global economic environment whether we like it or not, that's the world in which we live today. So everybody is competing for that private sector dollar to be invested in their country, and in our case, in our province. Government has to create a platform in which the private enterprise will invest 'cause that creates the jobs that you and I get to work at, and as you said, you're retired now, but chances are most of us don't work within government. Most of us work in a private sector field, so if they're competitive then we create jobs and opportunities for ourselves and for our family. That's one of the biggest things.

Now, there's also the issue of low income for people that have a lower income. In British Columbia, I think there has been a misconception that this actually hurts them. It actually is a benefit to about 1.1 million British Columbians who are on the low income scale in British Columbia. They actually are a net beneficiary as a result of the HST; they get the \$230 credit cheque that goes out, not only for the individual or the household, the husband or wife, but for their children as well. That helps a great deal. I think there's been a feeling out there, [Caller] that this cheque is continuing on, we've always got it, that's interesting when, in fact, it's new. There is a GST cheque that goes out as well, but the larger cheque that you're getting is the HST. So, it's about maintaining a competitive of environment, [Caller]

for ourselves to live in and it's about making sure that if we can do that, we're going to have a good economy. And yeah, at the end of the day, we hear a lot 'this is only good for industry or business.' It certainly is a benefit to them, but if it's a benefit to them, it allows them to hire people to staff up, that allow opportunities, for like I said, for you or me, our children, if they want to say, stay in the Peace Country and work. So overall, I think it's a good tax policy.

It also streamlines the ability for the collection of this tax. I heard it a great deal over the last 8 years, particularly since I was a member of the Finance Committee. So overall, good tax policy I believe [Caller], but I won't sidestep the fact that you and I will pay a few more dollars sometimes, depending on where we're spending our money. If you're going out to a restaurant for example and we buy a meal, we pay the full HST on that so there is added cost. I don't think anybody should ever sidestep that question, but the one thing I will close with is this: every dollar that we collect, whether it's our taxation system or any other, goes to pay for the services that you and I enjoy, and hopefully we don't have to use the healthcare system but if we do - I think we have a world class one here - taxes help fund that as well everything else I touched on. So in a roundabout way, I think it's good tax policy. I think we benefit when we have a strong province as individuals. But without question, [Caller], you and I may pay a few more dollars for some of the things we go out and purchase. It applies to about 17 to 20% more items than the PST used to.

**Moderator:** Okay, Minister. So the next question is from [Caller] and she has the question about reducing the amount of the HST? She thinks it's a good idea but maybe we could reduce it. So go ahead, [Caller].

**Caller:** Hi, your last statement is really, really good because that 20% extra that we get taxed on, it would be a great reduction if you could reduce it to 10% rather than 12%. I see the benefit as far as employment. It's a lot easier to just multiply one tax but it's taxing us on some more items.

**Hon. Blair Lekstrom:** All right, [Caller] and that is a very good point. I've heard from different people I spoke to back up at home in the North and the around the province reflected a similar issue that you just raised. Could we drop it, whether it would be 1% or 2 points, you know, that's a possibility. I mean this is a question I think you'll get a chance to answer if you do stay on at the end as well through the telephone.

For every 1% - today it's at 12% which is the combined 7% PST that we have as well as the 5% GST the Federal government has - if we dropped it by 1%, the government will not collect about 800 million dollars in revenue. So if we're able to do that, that's one thing we would probably have to find that 800 million dollars, at this point in time, through service reduction somewhere else. I do think though that as we move forward and depending on what takes place with the vote - but I'll speak optimistically that if the vote maintains the HST in British Columbia - our competitive advantage is still there. We create more economic activity, we will bring in additional revenue to the government which will not only help first of all, get us to a balance budget position, which I think is very important, but will allow us to look at things such as possibly taking it from 12% down to 11% and if the future holds out, then we can look at something even further but it's a staggering number. You know, we run a 41.9 billion dollar budget in

British Columbia and you know we deliver I think some of the finest services in the world but when we drop taxes and we now pay the lowest personal income taxes in all of Canada for anybody earning up to \$118,000 of income. But I've heard this more than once, [Caller]. If the opportunity is there to look at that, to try and level it out on the 20% of goods that we now pay an additional tax on, as you said, I know Kevin Falcon, our Minister of Finance has entertained that thought as well, it would take discussions for that to happen but I wouldn't rule out either so thank you for that, [Caller].

**Moderator:** Our next question, Minister is from [Caller] from Dawson Creek and [Caller] wants to know if we remove the HST, what is the bill we have to repay the Feds? Go ahead, [Caller].

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** Hi, yeah. Can you hear me, Blair?

**Hon. Blair Lekstrom:** Yeah, I can. Go ahead.

**Caller:** You'd be interested to know that Montreal tied up the game.

**Hon. Blair Lekstrom:** Yes, I heard that.

**Caller:** My question is if we scratch the HST, what do we have to repay the Feds? I mean there's some talk of Harper giving us a free ride on this, but I don't think that's likely. I'm just wondering what that bill would be if we have to pay it back?

**Hon. Blair Lekstrom:** Right now, the transition fund that they gave us as a province was 1.6 billion dollars so there is that amount that will have to go back to the Federal government obviously. If the public decides that they want to go back to the PST and GST system, for example, I think we would have to enter discussions with the Federal government to see if they would entertain you know a lesser amount than the 1.6 billion. But right now as it stands, [Caller] it would be 1.6 billion dollars.

The one thing I do tell people about this is that you know, these 1.6 billion dollars has been in the budget, it's in the budget today. We spent a portion of it. It is gone to pay for the services that you and I enjoy as British Columbians, so whether that money would have been used or put into a deficit system for example, whether we got it from the Feds or not, it's a bit of a crystal ball gazing, but as it stands today, its 1.6 billion dollars.

Obviously there would be more to it. I mean the HST is a competitive tax policy, the way we're looking at it, and being that the rest of the world looks to one of these types of taxation policies. There may be more than just the 1.6 billion impact to us here in British Columbia, without question, but if we're talking just the Federal government repayment stands at 1.6 today. If the public decide to go back to the PST and GST in British Columbia, I can tell you that Christy, Premier Clark, has said that we will go talk to the Federal government and see what kind of negotiation we can deal with there but thanks, [Caller] for that.

**Moderator:** Thank you, [Caller]. So now we're going to do the first of our two feedback questions to get your thoughts on the HST. We're asking for your preferred answer by pressing a number on your keypad. Please listen carefully to the options. I'm going to read the question and the answers twice so here we go.

Government HST revenues increase faster than PST revenues would have because the tax base for HST is broader and applied to services. Currently, government is using additional revenues to balance the budget by 2013-14. If you can pick only one way to use any additional HST revenues, which of these would you choose? There are 4 options: Increased spending on programs like healthcare and education, press 2. Reduce the tax on all British Columbians, press 3. Provide additional HST credits to families with children, press 4. Or reduce the deficit, press 5.

So now, we're going to go back to our question. Our next question is from [Caller]. He has a question about why we can't we reverse the tax instead of spending 18 million dollars on the vote? Go ahead, [Caller].

**Caller:** This is partially what I had to say. Good evening.

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** It is something that was - as you pointed out - thrown at the people and it is easily reversible by the government. Why not do that, and then take the time to go through things like this over the next 12 to 20 month period and decide then whether or not to re-implement this rip-off tax. I'm in business, it doesn't hurt me one way or the other, but I see a whole lot of people that are extremely angry at the way it was done and at the fact that they now have to pay HST on groceries and services.

**Hon. Blair Lekstrom:** All right, [Caller]. Oh sorry, that was a great question. A couple of things. The reason you can't change it immediately as you said, you know was brought in the government went to it so why can't we just go back. There was a contract entered into with the Federal government, that's one side of it but probably in my mind, the most important thing was that the people in British Columbia went to a great deal of work to earn the right to have a say in this. They were angry, without question, because of the way it was rolled out.

I've heard, probably you know, I don't know what the percentage but I'm thinking close to 50-50 about people saying you know, I'm as angry on matter at the way you brought this for with government as I am actually about the tax. So the one thing you raised is you said it's on groceries. That's not right and that's what's good about this town hall meeting and the information that's going out there.

The only thing, there were things in the grocery store that were GST applicable before, those would be, but on our day to day consumption of the foods that we go to the grocery store for, there is no new additional HST. So there was a misconception. I've talked to many people in my office back in Dawson Creek, or when I'm out touring around the area about that, [Caller], but you nail it, I think, when you said the people are angry, without question. So the key for me right now is that, as we move towards the referendum vote, as I said earlier, I think everybody has an opinion, I want to make sure I'm going to



do my part to make sure they have an informed opinion, in which ever way this vote turns out. We're going to make British Columbia as good a place as it can be, but the key issue here is that we all get the factual information. And both sides are going to have the opportunity and be funded to go out and say this is why we think the tax is good, this is why we think it's not so good, but the issue around groceries, [Caller], that one I think caught a lot of people off guard, but again, it's just not factual. It would be the GST applicable goods only in the grocery store, but thanks for that.

**Moderator:** Thank you and just a reminder to people that its star 3 if you want to ask a question of the Minister. Our next call is from [Caller] and his question is will government abide by the results of the referendum and what's the financial cause? Go ahead, [Caller].

**Caller:** Hi, Blair

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** Yeah, well I was talking to the lady in preparation for this. When I got back out of the queue, you did answer the second part of my question, about what would be the financial cause of the problem, but I didn't hear anything about the first part and that was, is government obligated to abide by the results of the referendum?

**Hon. Blair Lekstrom:** Yes, we are, [Caller]. We made a commitment that under the Initiative, Recall and Initiative Act, you had to get 2/3 of the population that was eligible to vote on the tax to cast the ballot in that if it was to defeat the HST prior to Premier Campbell leaving office. He made a commitment that it would be a simple majority of people who cast the vote. We've gone to the Referendum Act which will allow us to do that and we are going to honour that commitment 100%. And thanks, [Caller] for that because you know it's interesting, you know, I think. I as an elected official, we'll be able to have the opportunity. We look at look at legislation, you look at the Referendum Act, people have the opportunity to look at the Initiative and Recall Act, and I think most British Columbians aren't going to that stage I think. What they want to know is, that if we go and the majority of people cast the vote one way or the other, will the government honour that vote, and most definitely, I want to reiterate again, 100%

**Moderator:** Okay. Thank you. Our next call is from [Caller] and his question is about will we go back to have a separate taxes. Go ahead, [Caller].

**Caller:** Hello, Blair

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** My question is, if this referendum turns us back around and we just automatically start putting PST on everything we're paying HST on already, or will we go back to the old way where we only paid HST on certain items, or are we going to be stuck with the same tax regardless?

**Hon. Blair Lekstrom:** Now, that's a good question too, [Caller]. No, if the public decide that they don't want to keep the HST through this vote, it will go back to the PST and GST regime that we had. So no,

there is no fear that you know in the sense that government is going to say oh gosh, we lost that boat let's find another way.

At the end of the day right now, all of the services we provide, we're spending more money than we bring in, that's just the reality. We're in deficit situation so we do have to find a way to get our books balanced again. I don't think it's fair for you and I to, you know, probably I think we live beyond our means sometimes, and our kids are going to pay for this and that certainly is not my intent, and I know that's not the intent of anybody I talked to, but it is the reality of the world we live in today. You know healthcare consumes about gosh, 42% of what we spend. Education is another 27%, and there's always a request to spend additional money. If this vote is to reject the HST and go back, we are going back to the way it was.

**Moderator:** Okay. Thank you. So our next call is from [Caller] and [Caller] wants to know if the benefit is going to be to BC. Go ahead, [Caller].

**Caller:** Hey, Blair.

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** Hey, yeah my question is just that, I don't mind paying a little bit extra as an individual as long as the whole BC is benefiting. You've answered a lot of my questions, but can you just know I'm stuck in between voting yes or no, and at the end of the day, which way do you want us to - if you could tell me which way to vote - which way would you tell me to vote and at the end of the day, how does that benefit BC as a whole?

**Hon. Blair Lekstrom:** All right. That's a great question, [Caller]. I am telling you I'm going to vote to support the HST, that's where I stand on the issue. It does a number of things, it puts BC on a level playing field with you know the domestic and international competitors that I talked about earlier. I'm not sure if you were on earlier when I talked, but we live in this globally competitive environment and governments around the world have to create a positive environment where the private sector wants to invest their money. That's who creates the jobs for you and I. Government doesn't create jobs, we create the atmosphere for the private sector, so significant benefit of the HST is it levels the playing field with our other competitors.

You know it's interesting, the HST combined with some of the most competitive corporate income tax rates in North America, it has and it continues to generate long term economic growth for B.C. And what it does, in the most fundamental way, it creates jobs for us and you know people say it does do that.

It goes back to what I said earlier. If business is competitive and can set up in British Columbia and compete with their competitors around the world, those are jobs for you and me and our children and grandchildren as we grow up. I saw this as I grew up. Overall, jobs are needed for long term economic growth you know. 140 countries and 5 other provinces have a value added tax like the HST so this is not new. I think the last people to go to a PST or a sales tax type scenario was Barbados, I think about 30

years ago. They kept it for about a year and got rid of it. So they went to the type of tax we're looking at here today and have in place under the HST. Thanks for that question, [Caller].

**Moderator:** Our next question is from [Caller]. She has a question about cross border shopping and she's from Fort St. John so go ahead, [Caller], you're on.

**Caller:** First of all I'd like to thank you, this is a great idea. I'd love to see more of this kind of interactive stuff with people that would make us feel a little less like peons at the bottom of a large government. You're from Dawson so you understand the cross border shopping and I work as a medic in an oil field so you know, I see a kind of both ends of stuff. And how is this going to affect us since Alberta doesn't do this and Alberta doesn't have a PST, and just the simple fact that they don't have a PST sees a lot of competition go - a lot of people from here - go over to Grand Prairie and go over there to shop just to get the PST. Now we have an HST and a higher tax so we are very concerned over what that's going to do especially for toys. You know quads, that kind of thing that you don't have to register once you come back.

**Hon. Blair Lekstrom:** That's a very good question, [Caller] 'cause we do live up there and like I said first, I want to say thanks for your comments on this and the issues getting out on the telephone town hall meeting. I think it is a great way - and I've always done my best to communicate - but I do think governments, and the one I'm part of, has not done the best job of doing what we're doing here tonight.

I can tell you, Premier Clark, our new Premier is very committed, not just to her families' first agenda but to open government and this is what it's about so I'll say thanks to that. The Alberta shopping, you know, it happened under the PST. This tax isn't higher; I mean it is the 5 per cent and the 7 per cent combined. It does apply to 17 to 20% more goods, is what it does.

You know, there's two things: We try, I think, most of our businesses - and I've lived in Dawson Creek all of my life - and you know I have friends that will go over to Alberta and come back and talk about (not so much anymore, but before) they would talk about, Gee, I bought a dishwasher and its great. You know I got all upset 'cause originally I was the Mayor at the Dawson Creek and I would say, well what did you pay? You find out what they paid and in fact you could actually go down into - and I'll speak to Dawson Creek or Fort St. John - and buy it every bit as cheap, if not less expensive. So it's a bit of a mind shift that we need [Caller] on this.

It's tough to compete with a province as close as Alberta in the Northeast when we have a sales tax, but you know, the issue of quads, I mean we've been dealing with that, we are looking at how we addressed that particular issue, [Caller] and we're going to find ways to level a playing field. One of the things I hear probably every bit as much about the cross border shopping issue is the cross border competitive advantage that Albertans are felt to have when they come into BC to work. This is HST levels that field completely on that side of it but it's going to take two things. It's going to take a competitive regime of businesses in BC, they have to know that they've got to have their pencil sharp when consumers are looking at coming into their businesses to buy things, but the other side of that is, I think, as a British Columbian, I realized that if I don't pay my taxes here, it doesn't help fund healthcare or education or

social programs. That is what our taxes go to pay for and in fact it doesn't even cover all of what we spend today.

We are in a deficit situation so I don't have a simple answer on that. Do I think it's going to change the pattern of people, I don't think so. I think originally it did because, as I said, when this was rolled out, I think if you had to pick an example of any government in Canada rolling something out in a poor manner, this would probably be at the top of the list. So people were very emotional about it and saying this is absolutely not, there was a lot of information that went out there based on emotion rather than fact.

I think as we go through these telephone town hall meetings, as we get the information out into the hands of the public, it doesn't mean they're going to love the tax. My key issue, as I said earlier, is I want people to be informed before they make their decision and I always encourage people give it your best shot on our side of the border when you go shopping. If our people can't compete, I'd be very surprised but it's an issue, [Caller] I can't sidestep that, it's been an issue all my life up there, cross border shopping, and I do think and I'll close with this, I think our businesses in the Peace country are doing probably the best job I have ever seen in my 50 years of living up there, in competing not only with Alberta, but with anybody on this planet. They do a pretty good job now, not only in their prices but the service they deliver is exceptional.

**Moderator:** So our next question is from [Caller], she's from Chetwynd and she has a question about the HST rebate. Go ahead, [Caller].

**Caller:** I was just wondering, if the HST doesn't go through, if some of the people, like I understand with the business, you get your rebate back, and you either have to pay or you get a refund. But I'm just wondering with people who don't have a business, are they going to get some sort of rebate back in trying to make them equal? I mean of course they're not going to be 100% equal, but even just for a little bit?

**Hon. Blair Lekstrom:** That's a good question, [Caller]. There is... we have a HST rebate cheque and it goes right now out to 1.1 million low income British Columbians. That cheque won't be there and you know when I say that some people say gosh, you're trying to scare us, no that's just a fact. The GST rebate cheque will still be there, but you know, there's some pretty significant dollars going out. You know a minimum amount and I'll give you a couple of examples here, [Caller].

A low income British Columbian that makes I believe \$20,000 will get \$230 back. If you have a family of 4 for example, you could earn I think up to \$25,000 and you will received HST credit checks of up to \$920 and of course, it goes up a bit from there based on the persons income. So one of the misconceptions out there, as I said, when emotion takes over and you know I was part of that, without question, the fact sometimes gets shaded. This, if the people of British Columbia decide to go back to the GST and PST, 1.1 million British Columbian on low income will be negatively impacted. They are net beneficiaries of the HST, which is something I think many of the 1.1 million people that receive that cheque now don't realize. I'm not trying to, you know, do a selling job here on anybody that receives those cheques, but I do want to make sure that they understand that cheque would go away.

So hopefully I've answered that, [Caller] and again I'm available in my office when I'm back in the constituency, or as well, you can call my assistant there. He'll be more than happy to either get the information if I've not answered your full question, or take a message so I can get back to you. Thanks, [Caller].

**Moderator:** Our next call is from [Caller] from Dawson Creek. And she has the question about what kind of refinements we can make to the HST. Go ahead, [Caller].

**Caller:** Hello

**Hon. Blair Lekstrom:** Hi [Caller],

**Caller:** Hello. Hi. So my understanding of the HST is that it has been actually a positive boon to most businesses because now they don't have to do two taxes, and we are always being told that as consumers we're going to see some of that savings. Most people I talked to don't hold a lot of hope for that. However, having said that, most of the concerns of people around here is that we are paying extra tax on things we never paid before. So if we do decide to support the HST because we do see it as good taxation policy, how do we bring about the changes we want to see? Like what is the procedure for bringing refinement that you talk about?

**Hon. Blair Lekstrom:** Well, [Caller] we're actually, we beginning that process tonight with this phone call. I want to hear from people. If we keep the HST, you know, we have some exemptions now, what we're looking for is if somebody like yourself [Caller] said you know I support the tax but I think it could be made better, you know if we didn't apply it to this or absolutely everything is on the table right now [Caller] to hear from not only you but every British Columbian who wants to participate to say here's what I think would make it better.

You know, I hear a lot about children's adult-size clothing having an exemption. Maybe that's something we can look at. Maybe there are families without question out there that may have a child that you know wears adult size clothing for example and they have to pay the HST. I believe that there are things like that that we can refine to make this tax better. It's something we're going to continue to do as I said earlier, there's also the website [Caller] at [www.hstinbc.ca](http://www.hstinbc.ca), you can go on there, there's also a spot on that website where you can put your comments in about what you think could enhance it as well and at the end of this call as well, you can leave a message with your ideas if you have direct ideas; here's one thing or two things or three things I've thought of, but it's a great question. What we're trying to gain here tonight is an understanding from people like yourself that if we keep the tax and you want to, how do we make it better? And if people are unsure, they're going to ask those questions as well about when it would take to change some of the ideas that are out there. There are some misconceptions, without question, out there about this tax.

**Moderator:** All right so just a reminder that it's star 3 if you want to ask a question. Our next question is from [Caller] in Fort St. John and she is wondering about the benefits for families. Go ahead, [Caller].

**Caller:** Thank you. Hi, Blair. I just want to reiterate what [Caller] said and to thank you for holding the town hall meeting. To be quite honest, although I think of myself as educated, I have never really been a strong political follower until now and probably the HST has brought me into this.

I really believe it is important to be informed and this is what I need personally in order to make an educated decision. I think we've had really excellent questions tonight and I really appreciate it. I have noticed over the past 10 months, for myself personally, my spending has changed because especially with the recession and my husband working in the oil field. I can't afford to go to the movies or to a restaurant as often as I would have before because I have noticed the difference. And you did answer my question with [Caller] who asked a good question and [Caller] as well. I agree with what [Caller] said about you know being stuck and I'm here for the facts so I guess what my question for you is could you just tell us a key message or a key factor that you would want us to know about how the HST – what's important to a regular family living in British Columbia?

**Hon. Blair Lekstrom:** All right. Well, thanks for your comments, [Caller] and again a good question. I think that it's very difficult to point to something that says that says here's how Blair Lekstrom will save money under the HST. What I will point out, and I go back to the issue of the province having to be competitive, because without that, we would not have the jobs that we have in British Columbia. So how does this impact the family in a positive way and what does it mean to my family in the case that you've asked?

I think it means that we're going to have businesses that are more competitive; they are going to have the ability to be competitive in the global environment which allows us to create more jobs in British Columbia as more jobs are created without question. More taxes will come to government and you know, I'm one of those people too that won't jump up and down and say I love paying taxes, but it's those taxes that fund our education, whether it's the K to 12 system, whether it's our universities, whether it's our health care. So what does it mean to the average family? If we're competitive and remain competitive in British Columbia, it means government will be able to fund the programs that you and I rightfully expect and deserve. Thanks, [Caller].

**Moderator:** Our next question is from [Caller]. He's from McKenzie and he has some questions about how this will attract industry. Go ahead, [Caller].

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** It's [Caller].

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** No it's [Caller]

**Hon. Blair Lekstrom:** [Caller], how are you doing?

**Caller:** How are you doing, Blair?

**Hon. Blair Lekstrom:** I'm good. How are you doing tonight?

**Caller:** Well, flattered that you included me on your town hall meeting here over the phone.

**Hon. Blair Lekstrom:** All right. Thanks for calling in.

**Caller:** I had a couple of questions in regards to the HST and well one thing is for certain, as expressed to you before, that it wasn't really the tax itself, but it was more of the way they ram it down the people's throat, and I'm pretty thankful that was part of your stand on that was the way it was done.

Some of the issues are how is this GST - primarily where is the money going - because I haven't seen much for changes. If we're looking at making it easier for seniors where they are not getting federally taxed, you know having to pay money on their pension, which my Mom is going through right now, or that out of that \$1100, that they get a month to leave on their pension that they spent roughly a \$100 a month on that GST so that money is screwed by the government.

The amount of money I spent, I got 5 kids and a grandson here all living at home. My oldest daughter is working two jobs and still unable to really get a good foothold on her life, and I cannot believe how much the cost of things have increased. For me buying everything and I've got to go where I can find a deal. I've got to go if I have to go over across the border if I'm in Grand Prairie, you're darn right I'll drop a \$1000 on groceries if I can get a deal where I can in BC.

One of the things I would like to see if they're going to tax us, I'd like to see where the money is going. I would like to see a factory building or the Air Force jet for Canada, rather than spending you know billions of dollars buying them. I'd rather see mining open that regulations loosen so that big business can actually come into British Columbia to do mining, 'cause a lot of people have been scared out of here primarily because of the fact that issuing a regulation and so on, the settlements on the natives' land claim. This stuff has been ongoing for many, many years and needs to be battled. It needs to be dealt with so that we can all get on with business and get on with the rest of our lives. But the GST what to leave it, it's the 13% tax, one of the frustrating things with the doctors we've gotten away from traditional medicine and more into pharmaceutical medicine at this point. So where is this money helping us, where does it help me or my children?

**Hon. Blair Lekstrom:** Well, I think [Caller] there's a number of things and you've raised a number points and I will try to address them all. Thanks for calling in.

First of all, it isn't 13%, its 12% which is very important. You asked where the money is going, it is going to deliver all of the services that you and I enjoy in British Columbia, and you know, I say this quite a bit and sometimes my wife even thinks I say it too much: I tell people you know, on our worst day here in British Columbia, we have it better than 90% of the world will ever have on their best day. It doesn't mean that we can't improve, but I never want to lose sight of that.

Where does our money go right now? 42% of what we spend goes to health care, 27% goes to education, 8% goes to our social services programs, and 6% goes to interest on our debt. And then there's about 17% for every other ministry in government to provide service. That's where the money is going. The



groceries, I'm not sure if you were on when I addressed this earlier? HST applies to what previously GST applied to, so there's a misconception out there that this now applies to all of our groceries. It doesn't. It applies to only things that were GST applicable before, which is not a great deal of items in the grocery store.

You mentioned your mother... Quickly, I think at \$1100 a month, she would actually - under that kind of income - be a net beneficiary under the HST because of the \$230 HST credit cheques that are mailed out, so she's further ahead under the HST as a low income person. 1.1 million British Columbians will receive this cheque and help out themselves and their families.

You also asked - and I know this is a long answer - but you talked about the mining industry and so on. This is one of the most significant competitive issues we can deal with by keeping the HST in British Columbia. It will benefit - and when I say this some people take this wrong - when we talked about benefiting industry, what that means is they can actually open up new mines, they can open up new mills in many cases. We have seen extensions of mine life already as a result of the HST. There is manufacturing as a beneficiary of this, construction is, transportation is, the mining, oil and gas industries are benefitting, as well as forestry. What it does is make industries competitive in the market in which they compete and when they are competitive - when they actually can lower their costs - it allows them to hire people, allows them to maintain their operations. So a long winded answer, [Caller]. You had a lot of questions in there. Hopefully I've done you some justice in answering them.

**Moderator:** Thank you. So now we're going to go through our second poll - our feedback question on the HST. So, for those of you who have come on since the first question, we're going to... I will read out the question and the answers twice and then you decide. To choose your answer, just use your keypad. The second question is: if British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose. There are 4 options: Increase the PST rate, press 2. Raise personal and corporate income taxes, as well as other taxes, press 3. Run a larger deficit, press 4. Or cut government spending, press 5.

Thanks. So we have time for two more calls and then we're going to wrap it up, and the Minister will say a few words. So our next call is from [Caller] and he's got a question about the effects of the HST in Northern BC first and South BC. Go ahead, [Caller].

**Hon. Blair Lekstrom:** [Caller]

**Caller:** Hi, there.

**Hon. Blair Lekstrom:** How are you doing?

**Caller:** I'm a farmer, Blair, north of Fort St. John and the HST, even though it takes funds from our farm and you don't get them back 'till you quit farming is gone but it will come back. It's fairly good for farming but personally, I take exception with your comment that it isn't increasing and our cost of living here and it will in the North and that is as of the transportation factors and everything that we do up

here. I guess my point is - and I'd like you to comment on it is as an individual - we are going to pay more in the North than the people in the South and you don't want to hear this, it's just like the carbon tax. Thank you.

**Hon. Blair Lekstrom:** All right. Well thanks, [Caller] for that and I'll try and answer this. I think you know agriculture is something [Caller], and I've said this many times, I think is being overlooked. They're not being given the respect due rightly deserves not only by provincial governments but by our Federal government as well.

That is no slam because I think we are all guilty of it right across, including most residents of this country. We take our Ag (Agriculture) community for granted and I think that's going to come to bite us unless we recognized that very quickly. I didn't say that it wouldn't impact us and it wouldn't cost us more. There will be additional cost and not just for people in the North, and I'll address that one shortly. It (HST) actually impacts about 20% more items than what we used to pay on that, on spending, on the spending side, not on our mortgage payments and all of that, so is there an impact.

I won't come across as sidestepping that, but you know the North, I don't think we do pay more in the North and I may missed this [Caller] so I'm sure that you'll contact me either back home or however we want to do that, but our home heating fuel is exempt, our lighting is exempt. So definitely we spend more money up there heating our homes and in many times, with our short days in the winter, our lights are on a little longer.

I haven't been able to see where there would be a greater impact on the families that live in Northern British Columbia or for where in BC, for those who live in the urban part. The carbon tax is a whole other discussion and I would value that discussion with you one day. We could do that back up North if you want, but the other one you said is farms right now. My understanding is that you will get the full 12 points back as an input tax credit on your farm operations as you invest in what you purchased for your farm, so I'm not sure, and again, I think we'll probably have the opportunity - and I encourage you after this, if I haven't answered to your satisfaction - get a hold of my office in Dawson and we can set something up, or we can talk, because maybe there's something I'm missing here. But you know, for agriculture, I've always believed that we've got to do more. This is probably one of the best things, in my mind, I've seen for agriculture in 25 years. Is it enough? I think we got a great deal of work to do on our Ag sector, and I'm going to fight like heck for you on that. Thanks for your question.

**Moderator:** For our last question tonight is from [Caller]. Sorry, pardon me. He's from Fort St. John and he has a question about further consultation for the HST. Go ahead, [Caller].

**Caller:** Hello.

**Moderator:** Hi, go ahead.

**Caller:** Hello, Blair.

**Hon. Blair Lekstrom:** Hi, [Caller], how are you?

**Caller:** Well, I'm feeling pretty good. [Notes hockey team is winning].

**Hon. Blair Lekstrom:** Hey, I heard that, it's a good night for me 'cause I'm a big fan.

**Caller:** Hey, good. This is a very good thing and my question is, are you guys going to pay attention to the voting public for a change? You know, on something like this, I mean the public was obviously really mad at the way it got rolled out and the government knew that. Why didn't you talk to us? So hopefully it's a wakeup call to you guys in the next government. Not just because I'm from British Columbia... will you start paying attention to us, the voters?

**Hon. Blair Lekstrom:** That's a great question, [Caller] and you've raised the valuable point. This is far broader than British Columbia and I think governments from across this country can look to British Columbia and learn a valuable lesson.

As I said earlier, the original decision to go the HST wasn't made with malicious intent. I think government got so caught up in the economic meltdown that was being experienced around the globe that they started making decisions - and major tax policy decisions such as this - without taking the time to go out and engage the public like we're doing here tonight... and we're going to do, right up until the vote.

So are we going to listen? Yeah, we have a new leader, a new premier, Premier Christy Clark, and I'm not [knocking?] our previous Premier, because I think he work very hard too, but one of the commitments and one of the lessons - and this is where government has to be able to stand up and... One of the things I'm proud of is being able to be part of the government... but you know what, we made a mistake.

We really messed up in how we approached the HST by not going out and engaging the public. We have learned a valuable lesson and it's actually two fold. One, not only on major tax policy shifts, but on issues when we have the ability to communicate with the public today, with the technologies we have, let's engage with them. Just because you're elected as an MLA or become a minister doesn't make you an expert in every field. I mean we better hope that we can learn from each other each and every day.

Now we're going to continue to get more information out there, [Caller]. I'm not sure whether you're on the Internet or not, but if you are, I'll give you a web address. Its [www.hstinbc.ca](http://www.hstinbc.ca). It's a great site; it lays out a great deal of information.

We [government] are also funding both sides of this equation. There's 1.7 million dollars going into a fund; \$250,000 will be shared with the people who are going to oppose the HST. And \$250,000 will be shared with groups that want to support the HST. We will also have \$700,000 put toward a voter package that's going to come out to you. It will include not just the government saying here's why we think it's good and you should support it. It's going to have both sides of this equation included in it. As well, there's another \$500,000 that is going to go to our university and colleges so that they can then host debates in every region of this province. So I think there's a great deal of work going into this, and I said this earlier, when I made my opening comments, I wish we would have done this 18 months ago.

And probably, well, there's no probably, I wouldn't have made the decision I made last June to take the stand that I did.

What I am happy for today is that we're doing is; what not only I thought we should have done some time ago, but I think most people, without question today, and government recognized, is that this is what should have happened, and most importantly this is what the population we represent thinks should have happened, so we're doing it now. I think it's a great format. Timing is a little off, but we still have the time to make sure that when people go out to cast their ballot, they have the information they need, and that's what this is all about. So, thanks for that [Caller].

**Moderator:** Thank you. So our time is almost up. I'm just going to reiterate what the Minister said earlier. If you didn't get a chance to comment or we didn't get to your questions, you still have an opportunity to do so. If you just stay on the line when the call is finished you'll hear a prompt and then you'll be able to leave a message. Thank you very much for participating. Minister, do you have any final comments?

**Hon. Blair Lekstrom:** Well, I would just like to close by simply saying thank you to everybody who participated, to the people that asked questions, as well as the people who are listening to get the information.

This is a very important vote for British Columbia and as I said I think it was and still is an emotional issue. But I do think most British Columbians are going to base their vote on the information that they receive, and continue to receive, and they will make their decision based on what they think is in the best interest of British Columbia. I'm confident, at the end of the day, whatever that decision is, we are going to build a stronger province.

But I don't want to leave you with the thought that if the HST is turned down, that there isn't a cause associated with it, there is. If it's kept, we're going to look for opportunities to improve it. But this is not about government anymore. This is about the people of British Columbia. You've earned the right to have a say in this and I'm looking forward to continuing to be engaged with the public. Not only those I represent in the Northeast, which I think is the greatest place in the province, but with every British Columbian that has a question. It doesn't mean we'll always agree, but a good healthy debate and a good healthy dialogue is not always about agreeing. It's about understanding and making sure you discussed the facts or information; base your opinion on that. So thanks everybody. Have a great night and I hope the sun is shining up there. It's been raining down here. Have a good one, you guys. Thanks so much.

**Moderator:** Thank you, Minister. So that's the end of our town hall. Thanks again to everyone for participating and have a great night.

**Hon. Blair Lekstrom:** Thanks, Lisa.

## MAY 12, 2011 – RICHMOND, S. DELTA & NORTH SHORE TELEPHONE TOWN HALL

Host: Minister of Transportation Infrastructure, the Honourable Blair Lekstrom

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
147,754	45,713	28,845	12	63%	230	23

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the ninth of eleven regional town halls conducted by Government with British Columbians.

Minister Lekstrom responded to 23 questions and/or comments during this call. Issues raised by citizens of Richmond, the North Shore and South Delta included the following:

- Concern for how revenue from HST will be replaced if province returns to GST/PST; whether government will apply or increase PST on items to make up revenue;
- Reduction of HST by 1 per cent; specific exemptions/reductions on HST for 'hardship' cases;
- Impact of HST on retired people, pensioners, young/middle-income families; request for personal income tax breaks to offset new consumer burden;
- Exemptions requested for Registered Massage Therapy; children's school books, toys, child development/extracurricular activities, summer camp and clothing; land (new home construction), repairs to leaky condos; restaurant meals; BC Ferries;
- Confusion about how the HST is applied; request for clear presentation of facts about HST and GST/PST; evidence wanted for how HST is an efficient tax.

### Questions/Comments to Minister

*"I'm for the HST just simply because of the tax dollars to generate going into all the service that we really need." "The way that it was implemented by government I think was just horrendous."*

*"I have heard on the radio that MLA's were exempt...are MLA's are exempt from the HST?"*

*"My kids are suffering quite heavily from the HST...is that how it is calculated, on last year's income tax? So, what benefit is it to them this year?"*

*"And I don't know why...all we're hearing...is the value of the HST. Why can't we present, in simplest form, a comparison between GST/ PST and HST? What are the changes being made?"*

*"We have a condo that has a leaky roof...we're in the middle of getting it repaired; the HST came in and added about \$10,000 to our bill and I think that that's really unfair."*

*"I deal with small businesses that didn't deal with the PST previously, so they don't have the efficiencies; but they have the extra cost that they have to pass on to us as consumers."*

### Stats to come from Campaign Research on question types

## RICHMOND, S. DELTA & NORTH SHORE TELEPHONE TOWN HALL SUMMARY

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**May 12, 2011 Transcript: Richmond, North Shore and South Delta Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST town hall with BC Minister of Transportation and Infrastructure, the Honourable Blair Lekstrom. My name is Lisa and I'll be the moderator for the town hall this evening.

Before we begin, I'd like to give everyone some information on how this town hall will proceed. The Minister will have some short introductory comments then we will proceed with the live question and answer period. Now about privacy, this call is being recorded and will be transcribed. If you do not want your ideas, comments or opinions to be part of the transcript of this call, I suggest you remain in listen mode.

In order to include as many questions and comments as possible on this call, please keep your question short and to the point. If you wish to ask a question, please press the star key on your keypad and then the number 3. An operator will come on the line to ask you a few questions. Please use only your first name when speaking to the operator. We want to hear a wide variety of questions from the audience. The operator will make sure we reduce duplications.

After you've spoken with the operator, you'll be queued up to ask your question. When you hear me say your name, your line will be open and you can ask the Minister your question. After you've asked your question, your line will be muted so the Minister can respond and you'll be placed back into listening mode. Please note there will only be questions and answers during this town hall. We will not have time for supplemental questions. I also ask that you use polite and respective language; anyone using vulgar or inappropriate language will be cut off. Later in the call, you'll be able to provide your feedback on the HST directly to government by answering a couple of multiple choice questions. This not a scientific poll for feedback, rather this is an opportunity to engage you on some of the important questions about the HST in BC.

Thank you for your patience everyone. We will do our best but we may not get to everyone who has a question or comment for the Minister tonight. However, if you stay on the line till the end of the town hall, you will have a chance to leave your comments in a recorded message. Again, if you want to ask a question, please press the star on your keypad and then the number 3. I would now like to turn the call over to Minister Lekstrom for his opening remarks.

**Hon. Blair Lekstrom:** Well, thank you very much Lisa and good evening everyone. I would like to start by thanking you for taking time out of your busy day to come and participate in the discussion with myself, on behalf of the government of British Columbia, and to hear your views about the HST. What we're looking for is feedback from British Columbians. You've earned the right to have a say and to vote on this, whether you decide to keep the HST or not. Or if you have ideas on how we could improve it as we build up to this vote; what are the issues that the



government could be looking at that would help you and your family? That is really the intent of this evening.

There is no question that the HST has been a very interesting topic. I think, to put it in my terms, there have been a great number of views expressed about this. One of the things we are involved in now is to make sure that the information is put out there. Government is spending dollars on both the pro side and the cons side of this, funding organizations that are going to go out there and speak about the HST. There are organizations that are going to speak on both positions on the HST based on what they see the impacts are on families and non-businesses.

Tonight is about listening. There are some key dates I want to put forward though before we get into the questions and answers. During the week of June 13th, all of the ballots will be mailed out to every home in British Columbia. We expect that those ballots should be received by the 24th of June; most of you should have those during that week. Once you have those ballots, they do have to be returned and received by Elections BC no later than July 22nd, so that means they have to be mailed sooner than that. That's by law and Elections BC are running this.

I think this is the 4th telephone town hall I've had the opportunity to participate in. I'm extremely pleased with not only the model, but the feedback from the people. It doesn't mean everybody is agreeing with it, but we are hearing a number of ideas on what people think could make this tax better. If the people determine that they want to keep it - and when I speak about that, I do want to point out very clearly that the people of British Columbia have earned their right to have a say on this tax - they went through a very, what I would consider a historic recall and initiative campaign. They earned the right to have a say in this.

There is no question, and government has not side-stepped this, that it was rolled out in a terrible manner, it was. I don't believe there was any malicious intent. People were caught up in the global economic meltdown that was happening. British Columbia was not exempt from that and a decision was made. And it became clear, very quickly, that for that decision, we forgot one key ingredient and that was the communication with the public that we represent.

I have said this quite often: I wish we could have been doing what we're doing tonight 18 months ago. It's not often that in my study of government that I have watched government say, we made a mistake. And our government has said we made a mistake in how this was rolled out. Correcting that mistake...part of it is what we're doing here this evening with the full public's engagement.

So, I'm not going to carry on much longer. I am going to welcome a number of other colleagues on the call this evening joining us; Minister Yamamoto, MLA Jane Thornthwaite, MLA Joan

McIntyre, MLA Ralph Sultan, MLA Rob Howard and MLA John Yap. I know they're going to be listening intently as well to what we hear this evening.

With that, I will close off my comments and again, thank you for taking the time everybody. I know you all have a very busy schedule and I'm looking forward to this call. I will do my best to answer the questions you raise with me here this evening.

**Moderator:** Great, thank you Minister Lekstrom. Again, I'd like to remind everyone, if you want to ask a question, you can press star on your keypad and then the number 3. So, our first question is from North Vancouver from [Caller]. She wants to know if we did get rid the HST, where would the money come from. Go ahead please.

**Hon. Blair Lekstrom:** Hi, [Caller].

[Caller]: Hi.

**Hon. Blair Lekstrom:** How are you tonight?

[Caller]: I'm sorry, thank you. I'm for the HST just simply because of the tax dollars to generate going into all the services that we really need. If we get rid of the HST and go back to the old system, what is going to replace that money? I mean, we need it for medicine; we need it for education and everything else. Where will it come from?

**Hon. Blair Lekstrom:** All right. Thanks [Caller] for that question, that's a great question. I mean, the reality is that if British Columbians determine that they want to keep the HST, things will proceed as they are today with some fine tuning, I believe, to the tax; after listening to British Columbians, and there are a lot of good ideas. If the people of British Columbia determine they want to go back to the GST and PST system, there is a cost to you and I and we referred to it.

Most people say, what's the cost to government? You know, first of all, there's the \$1.6 billion in the transfer funds that the federal government gave to the province to go to the HST that would have to be repaid. I'm sure there will be some discussions on that, but I think first and foremost, if you take money, I think you have an obligation probably to pay that back. There's an impact clearly on businesses, then you and I. The money would come, in its simplest form, [Caller], from you and me as British Columbians. You know, that's why the most important thing we can do as we lead up to this vote is, as I mentioned in my opening comments, everybody has an opinion. As long as everybody has an informed opinion and we base our vote on that. But there is a cost and it is in the billions of dollars over the years ahead of what this could cost us.

So, that would mean that it would be an issue as far as programs. Do we have to look at that? Do we have to look at other areas? I'm not sure. That's a discussion government will have to have with the people of British Columbia. But I've served as an MLA now for 10 years. It is very

rare... I get people coming in to my office saying, Blair, I want you to cut programs, and I want you to cut services. The reality is most people are looking for increases, whether it'd be in health care or education or social programs and all of that takes money. Today we're spending more money in British Columbia than we bring in. We made a commitment as a government that we have to get back to a balanced budget. So, where will the money come from? It will come from you and I, [Caller]. Thanks for that question.

**Moderator:** Thank you. Our next question is from [Caller] in West Vancouver and she has a question about the HST versus the GST. Go ahead [Caller]

**Hon. Blair Lekstrom:** Hi, [Caller]. Hello, [Caller]

**Moderator:** Okay. We'll go on to the next call. We have [Caller] from Britannia Beach. And [Caller] would still like to consider reducing HST by a percentage. Go ahead [Caller].

**[Caller]:** Good afternoon, Minister. It's [Caller] from Furry Creek, but never mind. Given the introduction of the HST was very badly handled and also given the feather-brained minds that perceived it to be the way forward in taxation at this time, is there any possibility that you could sweeten it for the public by a percentage reduction, perhaps 1%? Thank you.

**Hon. Blair Lekstrom:** Well, thanks [Caller] for that. I know our Minister of Finance; the Honourable Kevin Falcon has talked about that. There is I guess the possibility. The one thing we have to look at though is there is a contract signed with the Federal Government, that something like that couldn't happen immediately if it was possible.

One of the key issues when we talk about our ability to reduce it, I think most British Columbians first and foremost would agree, that we want to get to a balanced budget situation. For every 1% that we would reduce the HST, or our portion of it, it's a little over \$800 million that is the cost to you and I as British Columbians. So, it has been discussed. I know that a number of people certainly like you, [Caller] have put that forward as an idea. I know the Minister of Finance has heard it and actually expressed that very thought himself. So, is it a possibility? Yes, it is. It's just not something that tonight I could sit here and say for sure we're going to do.

There are number of things that would have to come in to play. First and foremost, I would believe is getting the budget in British Columbia balanced. The question has a reason lately; look at all the new money that's coming in as a result of this when you look on through the last year. Certainly, it is raising additional revenue in the province of British Columbia. All of the revenue that we raise goes to the services you and I enjoy... and our families. So, it is a possibility, [Caller]. It would be something that would have to be discussed again I think in the context of financial. Can we afford it and be back to a balanced budget situation? But thanks for

the question and [Caller], I do know where Furry Creek is and you've got a great golf course out there. Not that I'm a good golfer, [Caller].

**Moderator:** Thanks, Minister. Our next question is from [Caller] in Richmond and he wants to know if we could continue with the same exemptions as before with the HST. Go ahead.

**[Caller]:** Yes, hello.

**Hon. Blair Lekstrom:** Hi, how are you?

**[Caller]:** Hi, I'm fine, thanks. I've been listening to this back and forth for so long now. It's literally nonsense. What I have never heard the Ministers or the Liberal Party say, or anybody come up with for that matter is: why can't you continue on with the HST because it's already in effect. We're already getting money from the Federal Government [unknown] and if it used to be tax exempt, reduce the amount of HST for those people for who it's now a hardship and it becomes less of a hardship.

**Hon. Blair Lekstrom:** All right. Well, what you've just put forward is exactly why we're doing what we're doing this evening and the other calls are to hear ideas like that. You're not the first person that raised that. It is valuable I think to understand what we can do. People I think for the most part are more and more beginning to understand the tax, how it works. It doesn't mean they support it or don't, but I think information is extremely important.

We are limited on what we can exempt under the HST by the Federal Government to 5% of the tax collected itself. But we do have other options as a province, whether it'd be through a rebate system from a provincial side. So, you've raised an issue...whether it would be children's adult-sized clothing, whether it would be other ideas that I've heard on the calls I've had - that is exactly, and I will say this again and I'll say thank you - why we're hosting these calls; as well as the website that we have which is [www.hstinbc.ca](http://www.hstinbc.ca).

If you don't get the opportunity to relay your ideas through this call this evening, go to that website. There is a survey there that you can participate in, in the comment section. What we're looking for are the ideas, just like what you put forward tonight. We are going to entertain ways that - if this tax is kept - how do we improve it? And everyday in government, whether it's in British Columbia or anywhere, they better think they can try and improve something from the day before or there would be no need for us to be here. Thanks.

**Moderator:** All right. Thanks, Minister. Our next call is from [Caller] in North Vancouver and [Caller] has a question about individuals seeing any savings from the HST. Go ahead please.

**[Caller]:** Hi

**Hon. Blair Lekstrom:** Hi, [Caller]

**[Caller]:** [Caller], here. The general feeling about the HST is that businesses benefits and eventually that might trickle down to individuals, but that individuals are paying more and there are many specific examples such as your restaurant bills, etc. It is individuals that are going to be voting on HST. Are there any specific examples where individuals pay less under the HST and if so, what are they? I'm sure myself and other individuals would like to know what they are.

**Hon. Blair Lekstrom:** All right, great question, [Caller]. There are about 1.1 million British Columbians, low-income British Columbians that will see a benefit from this directly. Based on their income, there is a sliding scale, but a single individual for example earning \$22,000 - I believe it is - will receive the benefit of \$230. So, they actually see that.

It depends, the middle income people, there was just a report out [Caller] that shows that the average family, and that's the average taking from the low to the high, would see an increase of about \$350 in their annual expenditures. I think the real benefit, [Caller], and I say this quite often, is in our ability at the province to remain competitive. And when I say that, the private.... Governments don't create jobs. We create an atmosphere where the private sector will invest their money; they really are who is creating the vast majority of jobs for ourselves and our children and future generations. So, our goal is to try and maintain the quality of life we have and remain competitive so we can attract that capital into our province.

There is the discussion that I've had with people, friends of mine, whether it'd be back in Dawson Creek or down here, saying you know; this is only good for business or big business even. You know, the reality is I think that if they're doing well and able to invest their dollars, that's what allows us to enjoy the quality of life. We need jobs, without question. Every day people get up and they go to work in order to provide for themselves and their families and if we don't have a competitive tax jurisdiction, those jobs are not going to be as readily available, and in a nutshell, that's the benefit that I think most of us will see. Thanks for the question, [Caller].

**Moderator:** Thanks [Caller]. Our next question is from [Caller]. She's from Delta and she has a question about MLA's in HST. Go ahead please.

**Hon. Blair Lekstrom:** Hi, [Caller]

**[Caller]:** Hello, Hi. I just wanted to ask you when the GST first came out, it was awhile back.... I have heard on the radio that the MLA's were exempt. I would just like to know if the MLA's are exempt from the HST.

**Hon. Blair Lekstrom:** All right. Well, thanks for the question [Caller]. No, MLA's are not exempt from the GST, and I can tell you that MLA's are not exempt from the HST. You know, we serve the people of British Columbia - as an MLA, whether you are a private member or a Minister or whether you're in opposition - I don't believe that people do it for any other reason than that they want to provide a public service and they have ideas on how to make our province a better place for the people who live here.

First and foremost, and I think I can speak for MLA's on both sides of the house in British Columbia.... First, this is the job we do in trying to make life better for everybody. But we have no further benefits than any other British Columbians. But it was a good question; if there is a misunderstanding out there, I'm very glad that I've had the opportunity to clear that up. So, thanks for the question, [Caller].

**Moderator:** Thank you. And again, if you want to ask a question, please press the star on your keypad and then the number 3. Our next question is from [Caller]. [Caller] is from West Vancouver and he has a question about how the rebates are calculated. Go ahead, [Caller].

**Hon. Blair Lekstrom:** Hi, [Caller].

**[Caller]:** Yes, I do. Hello. First off, I'd like to add that in every discussion on the HST, in every sense of the word, you know, it's been said that there were never - the government was never considering the HST before the election. Yet I have paperwork from my MLA, Ralph Sultan, from August 16<sup>th</sup>, saying - it's a quotation - of course, it was being considered. So, I still hear Mr. Falcon on the talk radio saying that, believe me, we weren't considering it. So, I just don't know what to believe from one day to the next from our MLA listening.

So anyway... my kids are suffering quite heavily from the HST. They're not getting any better rebate cheque because my understanding is, to get rebate cheque, it's calculated on last year's income tax. And with HST etc, there is [unknown] and construction is going down, their work load has gone down considerably. So, they're suffering this year so they have to wait 'till next year before they get a bigger rebate on tax. So, is that how it is calculated, on last year's income tax? So, what benefit is it to them this year?

**Hon. Blair Lekstrom:** That's a good question, [Caller]. It is calculated on last year's income tax return. That is how we have to figure out. So, I don't know the business - you said construction - that your family is in or your children.... Obviously, I think everybody went through a bit of a down turn. I don't think that we would point the finger at the HST and say that was a down turn factor. I do think the global economic situation was a big part of what we face. But we've been pretty fortunate and somewhat sheltered although we face challenges in British Columbia. I think we've probably positioned ourselves as well as any jurisdiction in the world as we come out of the other side of that.

I do want to comment on the issue about was it on our agenda or was it not. You know, [Caller], I made a difficult decision last June when I left government. But I sat at the Cabinet table when this decision was made, I was part of the decision, and I can tell you it wasn't on our agenda before. I was first elected in 2001 to the Legislative Assembly as the MLA for Peace River South; I had the honour the following year to become the Chair of the Finance Committee in British Columbia. I toured the province with colleagues from both sides of the house. We did hear a great deal about the HST. So, when people ask, was I aware of the HST, certainly I was.

Businesses brought it to us; many different people in the province raised the issue over the last number of years; but as far as government - I sat in caucus, I sat at the cabinet table - it was not on our agenda. Do I accept the fact that people question that as quickly as it changed post election? Yeah, I can accept that, but I would hope that they can accept what I'm saying as well and the fact... I have no reason to sit on this phone or look somebody in the eye and say anything different. If it was on our agenda, I know myself or any of the others would've said that.

I don't know what Ralph said, or in what context Ralph mentioned that. I have a great deal respect for Ralph. I'll tell you, there are very few people I think in this world that you can learn as much from as Ralph Sultan. So, it's always encouraging talking to him. So, hopefully your family and as we move forward - if they're in the construction industry, I don't know if they own their own construction outfit - whether they're looking at the input tax credits on their business side that they can claim back and so on, but I think we've got a great opportunity. I do think it's good tax policy, but at the end of the day, it is going to be up to British Columbians to make that determination, whether they want to keep it or not. Thanks for the question, [Caller].

**Moderator:** Thank you. Our next call is from [Caller]. [Caller] is from West Vancouver and he's got a question about comparing the HST to the PST or GST System. Go ahead please.

**[Caller]:** Thank you. I just want to say that I'm a retired person and in all of the time that this discussion has been going on about the two taxes, I have never seen a clear presentation of the pros and cons of both. And I don't know why. Even tonight, all we're hearing to a large extent is the value of the HST. Why can't we present, in its simplest forms, the comparison between GST/ PST and HST? What are the changes being made? We continue to talk about an informed decision, I can't make one based on the information I have today.

**Hon. Blair Lekstrom:** All right, [Caller] and thanks. So, a couple of things: tonight's phone call is not for me as a member of government to try and sell the HST; I can tell you where I stand on it and I support it. Tonight is about hearing from you. But you've asked a great question and that will give me the opportunity.



80% of our consumer spending doesn't change. That's 80%. So, there are people out there to think of, everything they do in their day to day spending is affected by this. And I want to reiterate that point, 80% of our spending is not impacted by this, there is no chance, and for 20% there is. So, the information... there are a number of things.... We have put forward revenue for both the pro side of this - who will be out there talking about the benefits of the HST - and we put \$250,000 for the con side - people who are opposed to it. We'll also relay that information.

We do have a website, [Caller] and hopefully you're able to access it. It's [www.hstinbc.ca](http://www.hstinbc.ca). It's an incredible website; it's full of great information that will really, hopefully, answer many other questions you have. We will also be doing a mail-out to every household in British Columbia prior to the vote taking place. In that mail out, you will have both the pro and con sides represented. But the information will be there so that you can gather that.

I think we heard loud and clear just what you said: we need information because when there's a vacuum or a lack of information out there, I think human nature is to sometimes not believe the most optimistic of what we hear.

So, [Caller], hopefully I gave you an idea of where you can go to get the information. If you have a computer, get online. If not, there will be a full mail out coming to your door - an information package - and I encourage you... if you do have further questions, contact your MLA's office as well; I know they'll do the best they can to answer your questions. And if they have or you have specific questions they can't answer, I know they'll go to work to get you the answer as well. So, thanks [Caller].

**Moderator:** All right, thank you. Our next question is from [Caller] from North Vancouver and she has a question about why RMT's pay HST but chiropractors don't. Go ahead please.

**[Caller]:** Hello

**Hon. Blair Lekstrom:** Hello. How are you, [Caller]?

**[Caller]:** Do you hear me?

**Hon. Blair Lekstrom:** Yes, I can.

**[Caller]:** My question is: why do professional RMT's have HST when professional registered chiropractors don't?

**Hon. Blair Lekstrom:** You know what; that was set by the CRA, or the Canada Revenue Agency. But what we're doing tonight, and from what I just heard you say, I would believe that you think

that they should be treated fairly; if one doesn't pay the HST or have to charge, the other shouldn't.

I am going to take your suggestion as part of what we're doing here, through the listening exercise tonight, and I will put that forward into the mix of ideas that we are looking to entertain on how we could improve this tax. I know the Minister of Finance is following all of our telephone town halls - I believe they wrap up this evening – is going to take all of the information and ideas that we've heard, not only from the callers, but the information they've left as well and take that into consideration. So, that's the exact kind of thing we're doing this for tonight, [Caller] and I want to thank you for not only asking the question, but asking it in a context of [unknown] what you're saying would improve this tax if we could get to that point. Thanks.

**Moderator:** All right. Thank you. Again, if you want to ask a question, you press star on your keypad and then the number 3. Minister, your next question is from [Caller] from West Vancouver and he has a question about the impact on seniors and young families. Go ahead please.

**[Caller]:** Yes, hello Minister.

**Hon. Blair Lekstrom:** Hi, [Caller].

**[Caller]:** And thank you for the forum. My question is that the position of the HST versus the GST - it seems to be all encompassing. There is absolutely no leeway where, at least on the GST, there were certain things that were exempt and that gave you kind of a breathing space. As with all ex-pensioners with a wife who is also on old age pension, we do not qualify for any rebates at all, so that limits income to a family with shared tax there is no apparent advantage to this tax. I'm in favour of the tax because we need it, but there is no psychological break for young families with school books and rain clothing and booths and so on. There is no break there and I wish there was and for old age pensioners who wish to buy something pleasant in the grocery store such as a sweet bun. There's still a GST on those things which take a little bit of the edge of enjoyment of life away. Comment, sir?

**Hon. Blair Lekstrom:** All right. Well, thanks [caller] and thanks for your comment. There are a couple of things: first, everything that was GST exempt before is HST exempt today. I think there is some confusion where the PST is applied to things that it wasn't applied to before. It's applied to 20% of additional items; 80% of our consumer spending doesn't change whatsoever. So, there is an impact on us, [Caller], without question. Most of our groceries remain the same. Anything that was GST applicable in the grocery store before is now HST applicable so that's a very important fact. But you and I will spend a little more and... What the benefit to you and I is... that's an interesting question; I get asked that quite often. The benefit is ensuring that we

have a competitive environment in which people will invest their dollars. I still get people saying, well you know, that still sounds like this is only for big business, but it's not. It is businesses that create the jobs, although you're retired or you probably have family that are... whether they have a job or if they needed one.

The only way to ensure that we have that economic stability and the bright future that we need in British Columbia is to be competitive with our taxation regime. Whether we like it or not - and some people don't like some of the things we compete for in a global world today - the money is mobile; it can be located virtually anywhere in the world. I don't think you'll find a better quality of life anywhere in the world than what we have here in British Columbia. We have to ensure that in order to maintain that quality of life, our competitive taxation regime has to be up there with the best in the world. Hopefully I've done your question justice, [Caller]. But it is really about being competitive about making sure we have jobs for ourselves, our children and future generations. I think this tax allows us to do that.

**Moderator:** Thank you, Minister. For those of you joining the call now, welcome to tonight's town hall. If you want to ask a question, please press star in your keypad and then 3. We will have the first of our two feedback questions to get your feedback on the HST. I'll be asking for your preferred answer by pressing a number on your keypad. Please listen carefully to the options. I will read the question and the answers twice.

So, here's the first question. The HST collects more revenue for the province than the PST plus GST systems. If you could only pick one way to use this additional money, which of these would you choose? You have three options: First one is, increase spending on programs like health care and education, press 2. Reduce the tax burden on all British Columbians, press 3. Or provide additional support for families with children, press 4.

Again, our question is, the HST collects more revenue for the province than the PST plus GST systems. If you could only pick one way to use this additional money which of these would you choose? There are three options: Increase spending on programs like health care and education, press 2. Reduce the tax burden on all British Columbians, press 3. Or provide additional support for families with children, press 4. Thank you for participating.

Now, let's go back to our questions. Our next question is from [Caller]. She's from Bowen Island and she's concerned about the taxes on new home construction. Go ahead, [Caller].

**[Caller]:** Yes, my concern is about the effect the HST is having on new home construction. This additional 7%, it's now being added to land. This has a particularly negative impact for young families being able to enter the housing market even with the rebate. And healthy construction industries needed for growth and if new houses are not being built, it impacts a great many

people, including all the sub trades involved in house construction. I was just wondering if there's any consideration in taking it off the land and leaving the GST, but not the HST.

**Hon. Blair Lekstrom:** All right. Well, thanks for that [Caller]. You know, this is the 4th town hall we've had; you have raised this point for the first time with me and I think it's a very important point. It is not something that just crossed my desk or been brought forward. But I think you raised a very valuable point and I can assure you that I will give it to the Minister of Finance as he goes through the different ideas that we're hearing.

The one thing with housing [caller] and I know you're not talking about just going out and buying a new home, you're breaking it down where you will purchase the land first and that's really what you're reflecting. But about 75% of all home sales in British Columbia - I'm just going to take this opportunity now that we've raised homes or resale homes - the HST is not applicable; about 80% of new homes that are sold in British Columbia are below the threshold. It does not mean that there is not an impact, particularly when you look at some of the higher priced regions - certainly for the Lower Mainland. I'm from Dawson Creek; for house prices there, it's quite different. The other one though, I will point out for you [Caller], is owners who build new homes also get the rebate. So, I'm not sure if that would be the case that you were referring to, but the idea of looking at lands and looking at that exemption is something - I can't guarantee where it will land - but I can tell you I will put it forward in the mix of what we've heard here this evening for consideration by the Minister of Finance. So, thank you for that.

**Moderator:** Great. Thank you. Our next question is from [Caller]. [Caller] is from North Vancouver and she's got a question about what's the benefit it affects for implementing HST? Go ahead, [Caller].

**[Caller]:** Hi. Yeah, I want to get to the origins of the HST. If it's just from the Federal Government and [unknown] I wonder why they brought it in. To give \$1.6 billion to British Columbia means that they expect to get a return on that money and then quite a bit more. So, why did they do this?

**Hon. Blair Lekstrom:** All right.

**[Caller]:** What's the benefit to the Federal Government?

**Hon. Blair Lekstrom:** [Caller], that's a good question and I think the biggest benefit - it's an economic benefit to our country - that if the country does well economically, it allows the Federal Government - no different than a provincial or a municipal government if they have a healthy economic bottom line - they can invest in the services you and I enjoy. The main difference between a private corporation and a government is a return of the private corporation to their shareholders and dollars in spent. The return of government is in services.

So, there is no money that's put elsewhere with all those back in the services. It is interesting to know that both, I believe, the Federal conservative, as well as the Federal Liberal Party, are supportive of the HST. I think Mr. Layton was supportive in Eastern Canada; I think one of his comments was because it was not on home heating fuel. I have to believe he's supportive of it now in British Columbia because we actually give a rebate on home heating. So, it was interesting to hear his comment.

The benefit is, as a tax, the HST is a better tax policy without question to my mind, but again it's up to you. The economic benefits to the country are the key reason why the Federal Government would support such a tax; it helps grow the economy. When bad times happen, there are more tax dollars [unknown] government and more tax dollars are returned. Not only can you get back to a balanced budget position - of which we're not there, either provincially or federally yet - but it helps fund the services that you and I enjoy. Thanks for the question.

**Moderator:** Thanks, Minister. And thank you to everybody who just called in. Minister, we've got few more people on the line than when we started this. So, could you give us a brief recap on what we're doing here tonight?

**Hon. Blair Lekstrom:** All right. Well, thanks Lisa and welcome to all of the callers that are new to the telephone town hall this evening, as well as those that are still on the line.

Tonight what we're doing is engaging with you, British Columbians to hear from you your ideas about the HST. If you have ideas, if the HST was to remain in place after the vote of British Columbians coming up, how would you improve it? What ideas do you have? What is working in your mind, what isn't? We really want to hear from you. It isn't about me talking and trying to persuade you. The whole idea of tonight again is to engage with you, to hear your ideas and those ideas will all be accumulated, put forward for consideration by the Minister of Finance as we move forward.

I do want to just go over a couple of key dates as we move towards the referendum. During the week of June 13th, ballots will be mailed out to all homes around the province. By June 24th, most home should have received that ballot. You will have time...but they do have to be mailed and back to Elections BC no later than July 22nd. So, I encourage people - when they get them, if they have the information that they need to have an informed opinion and cast their ballot to do so and get it back to Elections BC so it's there in time. The count will begin on July 25th and all indications are - by Elections BC - and by mid August, we should have the results of the referendum.

So, we've heard a great deal. I've said earlier in my opening remarks, I personally wish this would've happened 18 months ago and this would've been the process we began. Unfortunately, it wasn't. It is rare, I think, in not only in our country, but in my study of politics

that when a government errs in a decision, that it's pretty rare we hear them say they made an error. I'm proud to be part of the government... As you know, the way this was rolled out was definitely not just an error, but probably an error of magnitude that every government in the world can learn from. The key issue here is recognizing that error and trying to correct it.

The people of British Columbia earned their right to have a say in this tax policy. They went through a process under the Recall and Initiative Act that was led by many thousands of British Columbians, hundreds of thousands of people signed the petition. Many people I know - that I speak to - said, you know, I sign this because the government just did not engage us in such a major tax policy shift. I also see those same people today saying, well, thank you for doing this. I don't know where they're going to land on, how they're going to vote, but government hopefully - and without question to my mind - has learned a valuable lesson from this and I know governments from around our country have watched closely what is taking place here.

The telephone town hall this evening is an incredible way to engage British Columbians. Not only on this issue, but I think you know, as we look forward to the future, I would anticipate that we will be able to do this again on major issues and hear from you, and that's what it's about.

So, Lisa I won't take up a great deal more time and hopefully we can get to as many people and questions as we can. My understanding presently, is we have 26,000 people engaged on this call and I'll tell you, it is just an amazing experience to be able to engage that many people and allow them to still be in the comfort of their home at the same time. So, thanks everybody. I'm looking forward to the questions as they come.

**Moderator:** Great. Thank you, Minister. Our next question is from [Caller]. [Caller] is from West Vancouver and he's got a question about the HST and the efficiency of it. Go ahead, [Caller].

**[Caller]:** Yes, thank you for this opportunity. My question is actually for Ralph Sultan. What evidence is there today that the HST is an efficient tax?

**Hon. Blair Lekstrom:** Well, thanks [Caller]. Ralph is on the call; he is not able to actually respond directly to you. So, if you do know Ralph, I know you can give him a call at the Constituency Office. He will certainly I know will be more than happy to engage in that discussion.

The HST eliminates duplication, you know, as I said earlier. I have chaired the Finance Committee for a number of years in British Columbia. We heard many presentations during that time to say, you know, get rid of the PST and GST; amalgamate it under a harmonized system. It certainly will save businesses' time, it will save them money, if businesses, to lower their cost. I mean, the reality of 90% of the - I'm going to speak to the East Coast here where they've had an HST - 90% of the savings are passed on to the consumer over there. There has been the

question here saying I'm not seeing those savings yet. It may take some time. I think it's going to go to the fact of good business practice in a competitive market. You're going to have to be very competitive; you're going to have to pass that on. As well, the harmonization will save BC tax payers \$30 million in administrative cost. Now, that \$30 million that's saved will go back into different programs, whether it's health care, education, social programs or any of the other programs that we deliver. So, I think there are some pretty good benefits ultimately and I go back to this a lot and I know people may or may not get tired to hearing it: the biggest benefit we can have is a competitive environment, a taxation climate in which people will invest their dollars creating jobs for you and I and our families. So, thanks [Caller].

**Moderator:** Thank you. Our next question is from [Caller]. She's from Delta and she has some questions about the how the HST was rolled out initially. Go ahead please.

**[Caller]:** Okay. First of all, we were lied to, there's no doubt about that. And I resent the HST being run down. If we must speak about improvements on HST, the one thing I would have to say is that we need the reinstatement of the tax exemptions on clothing purchased for children under the age of 15 we lost because of HST.

**Hon. Blair Lekstrom:** [Caller], we did and I have heard that certainly numerous times over my discussions, even before these calls. That was...it's a very important issue for people. So, that is one that will be in the mix, which I can assure you. Now, where we're going to land on that? I never want to leave the impression that when I say it will be in the "mix" that it will be dealt with this tax. I know the Minister has heard that as well.

I am going to go back to your first comment... where you referred to being lied to. Jeanette, I sat at the Cabinet table; I sat in caucus; there was no discussion of this. I have no reason - I don't know you - I have no reason to tell you anything that wasn't factual. So, do I understand people's scepticism as how quickly things changed - Most definitely I do - but I won't accept the fact that you were lied to; it just isn't true...and I don't know if I'll convince you any differently. But I won't let it go without being very clear that that just is not factual.

**Moderator:** Okay. Thank you. Our next question is from [Caller]. [Caller] is from North Vancouver and she wants to talk about tax breaks for families. Go ahead [Caller].

**Hon. Blair Lekstrom:** Hi, [Caller].

**[Caller]:** Yes, hi there. Hi. Just following on the heels of [Caller], I strongly agree with her on the clothing issue, you know. We are a young family, I have a young son. We've gone from paying just PST on his clothing to now paying 12% on, not only his clothing, but everything else: his toys, you know, stuff that we want to put him into, like his extracurricular activities, doctor, day camps for the summer time. Now they claim all the HST is included, but they've upped the



prices to accommodate for the HST and having to pay for the HST. It is very frustrating to me. We are on a very specific budget. We have a very high mortgage because we live in North Vancouver. Housing here is not cheap for a young family at all. But we need to live here because I need to be closer to my mom who is not well and it's just very frustrating to me. It is very upsetting that this has been imposed on us and, you know, we have not only stuff for my son to buy, but some things we can't afford to buy because of the HST. I would love to be able to put him into a lot of things that we can't afford because the HST is taking that away from us. I'm seeing no tax break at all.

There was talk initially of maybe, perhaps, giving us a personal income tax break to sort of offset the difference of the HST. That was put on hold and now we're seeing no break and I understand that this tax is better in the long run - I get the global picture - but I just wanted to put it out there. And I'm sure I'm not the only one. I'm not alone that it is very hard and we would very much appreciate some tax break, any tax break, some sort of break on even just buying his clothing again. My 8-year-old doesn't understand why he has to pay HST on his toys. Try explaining that to an 8 and a half year old.

The last point that I would like to make in all of these frustration is just the fact that it is very difficult, and we don't qualify for any kind of rebate for the old GST now I guess it would be HST, because apparently, as you know, as a married couple we make too much even though we struggle. So, that is my frustration and I would hope that whatever the outcome is with this referendum and whether we have to keep the HST or not that we see some sort of tax breaks coming down for families like myself.

**Hon. Blair Lekstrom:** Well, [Caller], I will do my best to try and answer what you've raised. The clothing issue, I hear that loud and clear. So, whether it'd be yourself or [Caller] that's it. You mentioned toys; toys wouldn't have changed [Caller]. There was the PST and GST on those before, now there's the HST and it's identical.

80% of our consumer spending does not change; it's not affected by this; it does for the other 20%. But the one thing - and you were talking about taxes and I'm going to...sometimes government doesn't do the best job communicating many of the positive that has happened out there. We today pay the lowest personal income taxes in all of Canada for people on the first \$119,000 of earned income; that is the lowest rate in all of Canada and years ago, we were the highest rate in all of Canada. So, we also have eliminated taxes for low income people of \$18,800 or less, to help those less fortunate, you know, we have got some significant savings when it comes to those tax reductions.

I'm not sure where your income level is at, but I'll give you an example. A family of 4 in 2001 that was earning \$70,000 would've paid \$4,420 in personal income taxes here in British

Columbia. Today, that same family of 4 earning \$70,000 pays \$2,265 that's over \$2,000 savings alone, very significant. Those are the types of things we've been doing. Now, is it enough? I mean, we always hear these things that we can do better and I agree, every day I try and improve. But we have tried to make sure that we not only have a competitive jurisdiction for business to invest, but for families and on the average, the average reduction in personal income tax in British Columbia since 2001 has been 37%. So, I think that's a pretty incredible step towards going from the highest tax jurisdiction to the lowest today with all taxes combined - when everything is combined. Not just personal income taxes - we generally have one of the lowest overall tax burdens in the entire country.

Hopefully - I don't know if that's the answer you're looking for - hopefully I've shared some information with you that is new. But again, I'll also reiterate, there is a website people can go to about the HST for further information. It is [www.hstinbc.ca](http://www.hstinbc.ca). I think it's a great website. It really will help answer many questions that you may have about exemptions and what is and what isn't on there. There's also a new survey and comment section on the website that encourage you...anyone can to participate in that. Thanks, [Caller].

**Moderator:** Great, thank you, Minister. Our next question is from [Caller]. She's from Richmond. She has a question about whether HST will go. Go ahead [Caller].

**Caller:** Hi, thank you. I'm actually a mother of two young children myself and I agree with some of those frustrations that [Caller] was talking about. But my biggest frustration so far is that when I'm.... I understand that (??) to pay tax, to pay for some of the things that are important to us. But I haven't seen so far what paying the HST has done to fund programs; not just academic programs for young children, but programs that support, you know, social, emotional and physical development in our schools, but you know cuts in my area - none have extra funding. And so, it just seems like we're paying this HST, we're paying extra tax, the things [unknown] just seeing these cuts and specifically they work with [unknown] programs with cuts in our neighbourhood and there a lot of schools in our neighbourhood. This is [unknown] prevention program. And, you know, there's others I have heard of. So, I just want to know where the money is going, if not for these programs that are really important for our children.

**Hon. Blair Lekstrom:** All right. Great question, [Caller] and I will...it'll take just a minute or two; I'll go through where it's going.

All of the money that's collected, if you look at the HST portion, it goes towards health care. We actually have a budget of \$41.9 billion this year that we're spending: 42% of that goes directly to health care; 27% goes directly to education; 8% goes to social programs / social services; 6% goes to interest and debt; and 17% goes to every other service you and I enjoy and our families enjoy. The one thing that I will point out though...you mentioned cuts and, you know, since

2001, the health care budget was about \$8.7 billion, today it's over \$17 billion. We have more than doubled the health care budget. Education as well. We have the highest education spending and I know, I always here...the opposition is talking about, it's different. All you have to do - you can look at the audited financial statements of the province; you can look at the budget. We have increased our spending on education well over a billion dollars since we came to office. I think it was probably in the range of 1.4 billion, \$1.5 billion. So, sometimes we get, you know, we hear things that we've cut funding, we've done that. There may be adjustment in the service delivery or the services that are put forward and based on who is responsible for those, whether it'd be, you know, health programs or education programs, they try and meet the needs of the people. But at the end of the day, even that means spending \$41.9 billion today. We don't bring that much in, so that's the challenge.

For every year...we have a deficit budget, you and I, certainly [unknown] will get to enjoy the services to a degree. But it'll be our children and our grandchildren that are going to pay for our overspending today. And when you sit down and have that discussion - when I have it with my friends and my family - people then kind of put it in the context and say, you know, I guess we better get our spending under control. And I don't want to [unknown] the government. We want to engage in that.

For 10 years, I've served as an MLA and I can tell you [caller], 99.9% of the people I have dealt with when it comes to saying, I want more, you know, they want more spending but they want to pay less taxes. I'm first and foremost a British Columbian and I'm the first one to say that, you know, that's just not realistic. We can't continue to increase services and increase spending and at the same time reduce what you and I pay. I do think it's time to have a great discussion with British Columbians, with government, all levels of government, to find out what the priorities are and I also believe that most British Columbians, you know - I can't speak for you - would agree that we have to get our financial house in order so that our children and future generations can enjoy the same quality of life we have today.

So, that's where the money goes, [caller]. Hopefully I have put forward where it goes and how we spend it on behalf of the people of British Columbia. But every day is a challenge because there is always an opportunity to spend more money, but we have to find that balance.

**Moderator:** Thank you, Minister. Our next question is from [Caller]. He's from Delta and his question is about some exemptions on the HST. Go ahead [Caller].

**[Caller]:** Yes. Thank you very much. You know, we heard that the HST would cost an average of about \$320 per family and as far as I'm concerned, it cost me maybe 4 times that. So, maybe just to leave it - selfish on my part - but if there is any consideration of whether you're saying the HST for golf club memberships, some tickets... and also, I eat, out a lot. So, the extra tax

that we pay in the restaurant and bar, you know, well I have more than \$320 a year. So, this... brings under consideration to review the tax on those items that I just mentioned.

**Hon. Blair Lekstrom:** Good question. And that is really the fundamental reason we're hosting this telephone town hall just to hear from people about, you know, ideas on how the tax is impacting them, how it could actually be improved so, it didn't have quite the impact.

So, the idea is whether it'd be on food or other issues... on memberships as you said. I know that's what we want to hear from you out there tonight and on the other town halls as well. I will point out that what you've just put forward I have heard on other town halls as well, [Caller]. So, I do know it's in the mix for consideration from our Minister of Finance, when he looks at it. Everything has been put forward from the public of British Columbia on ideas on that we didn't have, the HST, as well as looking at those in a realistic manner.

For every 1% that the HST would be reduced, there is a cost to government of over \$800 million. I do think most British Columbians expect their government to get back to a balanced budget position as quickly as possible; then that new revenue becomes available whether it'd be through this tax, or increased resource revenue, to take that money and do things like what you've just talked about.

So, I want to thank you for that question, [Caller]. I will go back...80% of what we do and buy and consume today in our day-to-day life, is the same as it was prior to the HST. The impact of the HST; there's an impact on 20% of our consumer spending. So, many people I think that it was going to affect a hundred percent of their spending, when in fact that isn't the case. As I said, the GST and PST prior, and the HST today, are identical on 80% of what we spend. So, thanks [Caller].

**Moderator:** Thank you. And again, if you want to ask a question, please press star on your keypad and then the number 3.

So, we're going to our second feedback question for the night. So, the question is and I'm going to read the question and answered twice for you. The question is, if British Columbians choose to return to the PST plus GST Systems, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose and there are three options. Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Or run larger deficits, press 4.

Again, the question is, if British Columbians choose to return to the PST plus GST Systems, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose and there are three options. Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Or run larger deficits, press 4.

Thanks for participating. We're going to go back to our questions now. We have [Caller] from North Vancouver and she has a question about how government can ensure businesses could pass on the HST savings. Go ahead [Caller].

**Caller:** Yeah, thank you. Yeah, that's basically my question there. The understanding was that the tax shift was going to go down to, you know, the individuals and the people that are being affected by...most are lower and the middle income families. Well, at the end of the day, people with the higher income tax brackets that make those choices as to whether or not to lower prices, or to increase salaries, and I don't see either one of those happening. So, I thought that, like many people on this call have already mentioned, that it just seems that all of...like nothing is going down unless we're just spending more and more and more.

**Hon. Blair Lekstrom:** All right. Well, [Caller]. Thank you for the question.

A couple of things: low income people...and I'll speak to that briefly first to start. We have about 1.1 low income people that will directly benefit as a result of the HST, to a degree; they will be receiving more money as a result of these credit cheques going back that they didn't get under the previous GST format. So, that helps the lower income side.

The wage side, really, I think the market sets those in most cases. We have just recently made the decision and implement it, raise in the minimum wage; it was \$8, it is now \$8.75. It will - within an additional 16 months from today, I believe or roughly that time frame - be up to \$10.25. I think a very good shift, to be quite honest with you, it was long overdue and I'm proud of the move that we made. Premier Clark came in and very quickly following her election as the Premier of British Columbia made that commitment and we will follow through on it.

So, there are a number of things: Will the businesses pass this on? You know, businesses are in a very competitive situation out there. If they don't pass on the savings that they realize from this, I don't think they're the ones that are going to be in business that long. I look to the East and you try and do comparisons where people have brought this tax in; Indications show today that back in Eastern Canada, 90% of the savings businesses have realized have now been passed on to the consumer. So, I can't say it will be immediate, but because of the economic world in which we live, being competitive is the fundamental basic to staying in business. I do think our businesses are going to - I know they recognize that - I know that they're going to pass on - certainly the competitive ones - are going to pass that savings on. So, thanks for your question though, [Caller].

**Moderator:** Great, thank you. Our next question is from [Caller]. [Caller] from West Vancouver and here's the question about the HST in condos. Go ahead [Caller].

**[Caller]:** Yes, hello Minister. I'd like to say thank you very much for the opportunity.

**Hon. Blair Lekstrom:** Thanks, [Caller]

**Caller:** I'm actually very much in favour of the tax. I think it's the right kind of tax going forward; a consumption tax makes sense. But the way that it was implemented by the government, I think on so many levels, was just horrendous. It's a major shift in tax policies and it just doesn't seem like there was any consideration as to the impact to allow the [unknown].

Just to address a couple of things that you brought up: you were talking about discretionary or it only being applied to 20% of your spending; but that's all your discretionary spending, it's stuff on top. So, it really impacts the dollars that people are spending on businesses. My wife owns a restaurant and it was very detrimental to her business.

In regard to my question: we have a condo that has a leaky roof and we've been penalized a lot for that and that was something that was, you know, poorly handled by the governments as well and that they re-built the standards and then we're sub-standard. But we were in the middle of getting it repaired and the HST came in and that added about \$10,000 to our bill and I think that that's really unfair, for something that people are being penalized already. I think in fact that it should be tax exempt. The government shouldn't be making a profit on something that is really an unfair situation for the owners. So, I just would like to know what your comment is on that

**Hon. Blair Lekstrom:** All right, [Caller]. Well, thank you.

First, I will start off by agreeing with you on the implementation. I think without question - not only myself and you, but all British Columbians - if we were to become unanimous in something in British Columbia, it would be on how this tax was implemented and that recognition is there; that it was not done properly, without question.

Now the issue you have on leaky roofs, [Caller]. That is more of a technical question. I don't have an answer for you on that. The one thing I will encourage you to do though, if you could - and if this doesn't work - your MLA - wherever you're calling from [Caller], if you could get in touch with your MLA's office, put that question forward. I know that they will go to work on that and get you the answer.

I just don't want to come out and say something that isn't correct and how it applies. I mean, I want to make sure you get the proper answer. I've never been scared to comment - whether I'm in this position or any other one I've had - to say, you know what, I don't have that answer and in this case, [Caller], I don't have an answer for you. But do get a hold of you MLA's office and I know that they will go to work on this and get you the answer. But thanks for your call, [Caller] and I'll apologize for not having the information to respond to you on that.

**Moderator:** Thank you, Minister. Our next question is from [Caller]. She's from North Vancouver and she has a question about the HST and tourism. Go ahead [Caller].

**Hon. Blair Lekstrom:** Hi, [Caller]. Hello?

**Moderator:** Okay...

**Hon. Blair Lekstrom:** We might've lost [Caller]. Are you there [Caller]?

**Moderator:** So we'll go to [Caller]. [Caller] is calling from Bowen Island and he wants to ask how government is going to deal with small businesses that didn't have to charge the PST and now have to charge HST. So, go ahead [Caller].

**Caller:** Hi. Thank you for having this forum, I really do appreciate it.

**Hon. Blair Lekstrom:** All right, thanks.

**Caller:** I've actually got a couple of questions: First one is about small businesses. I live on Bowen Island. I have things that relate to my home and as a result, I deal with small businesses and they didn't end up dealing with the PST previously. So, they don't have the efficiencies, but they have the extra cost that they have to pass on to us as consumers. But the second question that I have... is there something that can be looked at in regards to that?

The second question I have is just that obviously, the HST is an additional tax increase to British Columbians and being on Bowen Island, I would be interested in knowing whether some of those funds could go to the subsidization of the BC Ferries for commuting from Bowen Island to the mainland, as we have to pay for our highway across the water, where someone in Whistler or Dawson for the billion dollars that was paid into the highway built there and other places in British Columbia. So, I wonder if you could address for both of those questions.

**Hon. Blair Lekstrom:** Well, thanks [Caller] for calling in and thanks for your question. If I understood your question, about small businesses, if they didn't have to charge GST before, under the HST, they won't have to charge that now. So, I hope I'm not misunderstanding your question. If I am again, I'll encourage you to contact your MLA's office; they can get it to me or whatever. Much of it is the same, most small businesses, I mean, what I have heard on this one, [Caller], is it's a benefit. I mean, it has streamlined the small business sector from having to deal with PST and GST into the one form of HST. Overall there's about a \$150 million savings to the business sector in just that alone. So, hopefully I'm answering your question.

The other one that you talked about...it is with the money, the new money, what can it be used for? That's what we're here tonight to do; to listen to what the people of British Columbia



think. That as we move forward, if the HST is determined to be kept by the people of British Columbia, how would they want to see any opportunity for future revenues to be utilized.

Now BC Ferries, I'll speak pretty freely to that: it does fall under my portfolio that I have. There has been a great deal of talk about BC Ferries, recently with the new term coming up, where the increases at 4.15% and 8.23% that were put forward to the commissioner. It became very clear, very quickly that people were very concerned, particularly with the over 8% increase each year for 4 years. We have an independent Ferry Commissioner that is accepting input right now from the public. If you haven't, [Caller], had the chance to put forward your ideas on...if you have ideas on the ferry system, what would make it better, what would make it more efficient, I'm going to encourage you to do that. It allows every British Columbian to have input into that without question.

Today, we put in \$150 million provincial dollars, \$150 million per year. There is an additional \$26 million put in by the Federal Government as a service to help offset the cost. Traditionally, the main routes are the break-even point, or make money, but our Northern and smaller routes definitely are where the money is going to help offset the cost on those. Is there a better way to do it? I know the commissioner is waiting for input from British Columbians before he puts his final report together. I'm going to encourage you to participate there if you can. I hear British Columbians don't think it is sustainable 'cause we're looking at 8% increase this year over year, over year and I know the premier - as we made it very clear - with her family's first agenda; this is about the ability for people to provide for their families and have a quality of life and make sure that we do...and the services we provide in BC are sustainable. And that means the ferries as well. So, you've raised a great point, [Caller] and thanks.

**Moderator:** Great, thank you. This has been a great town hall. We're just got time for just a couple of more questions before we wrap it up. So, we're going to talk to [Caller] next. He's in North Vancouver and he has questions about personal income taxes and corporate rates. Go ahead [Caller].

**Caller:** Okay. Hello, Minister.

**Hon. Blair Lekstrom:** Hi, [Caller]

**Caller:** I appreciate the opportunity to get in on this forum and I guess, to let you know, I am in favour of HST. I am a small business owner. However, it does dramatically affect my business in a sense that I didn't have to charge PST on my services. I'm in trucking and heavy equipment and I didn't have to charge PST on those services in the past and when I do a job for a homeowner, they don't get to credit it back. So, when I charge this on top of a fairly good-sized invoice, that's a big hit for that consumer. What I'd like to know is there going to be any tax breaks on personal and corporate tax to help offset the additional burden to the consumer

because the consumer in my business is paying a lot more and it puts a huge burden on people like myself having to collect it and remit it, whereas in the past, we didn't have to. So, I guess my question is are we going to be getting some tax breaks on personal and corporate taxes to help offset the additional burden?

**Hon. Blair Lekstrom:** Thanks, [Caller] for the call. A couple of things: certainly on the service side, there is an impact. That has to increase the cost...I totally accept that, as a transportation industry or trucking inspector, your inputs. So...and the capital that you spend, whether I'm going to use tires, or I mean, I don't want to go into a full list here.... But the issue is you buy - you can actually now claim back the full 12 points as a small business person - as 12% which then lowers your cost. That will allow you then, obviously, too if you can reflect those lower costs, and that what you charge to your customer. So, that's very important.

We right now have lowered our small business rate to 2.5%, you know, very competitive and we continue to look at opportunities to do that...and the reason we're having this call tonight. First and foremost, I do want to reiterate that I think it's important - and probably most people will agree - we've got to get back to a balanced budget situation. Continually spending more money than we bring in is going to - and continues to put a heavy burden - you know, to be honest with you, not so much on ourselves, but on our children and grandchildren who are going to have to pay for this.

We're going to continue to look at our tax regime to make sure we're competitive. We have lowered not only small business tax to corporate rate, but personal income taxes. We now pay the lowest personal income tax in all of Canada on the first \$119,000 of earned income. We reduced the provincial income tax for low income earner. So, anybody earning \$18,800 or less a year pays zero provincial personal income tax. [Caller], we are going to look at every opportunity we have to ensure that we have a competitive tax regime for individuals, for small business and for the corporate sector. So, as we get back primarily to the balanced budget position, the opportunities open up then that we can look at more and more of the opportunities that you've just talked about. Thanks, [Caller].

**Moderator:** Thank you, our next question is from [Caller]. She's from West Vancouver and she has a question about what will happen if the referendum doesn't pass. Go ahead [Caller].

**Caller:** Good evening, Minister. Thank you for taking my question.

**Hon. Blair Lekstrom:** All right. How are you tonight, [Caller]?

**Caller:** I'm fine, thank you. I was just wondering...they're all talking about the HST. But if it is defeated, I'm wondering...to make up the revenue that you're going to be losing - the 20% of items that are on the HST - is the government going to put the PST on them? Would they

increase the PST just to make up the deficit that they will not be receiving if the HST is defeated?

**Hon. Blair Lekstrom:** All right, great question, [Caller]. You know, if this is defeated, then we will go back to the PST/GST system as it was. I mean obviously this does bring more money, the HST. There have been some people say; it almost seems upsetting that it brings in more money. All of the money it brings in - we can never forget - goes to the services, whether it'd be health care, education or social program. Human nature is that, when government increases revenue, they think it goes somewhere. The only place it goes is back to the services you and I enjoy. So, will there be an impact if the people of British Columbia decide to go back to the PST/ GST? Most definitely. How we will fund that, and how it would be dealt with, it's something government is going to have to figure out. And when that happens, if it goes that way, I think there will be a full engagement of the public in that regard.

We have some financial challenges and without question, it's in about \$3 billion range over the next couple of years if the decision is made to go back to our old tax system. Yeah, you can't just spend money you don't have. So, will there be an impact? Yes. But I also do not want to leave the impression that some people [unknown] that's a track you're going to have to vote for it, absolutely not. We will find a way. We live in an incredible province and - I say this quite often - on our worst day in British Columbia, we will have it better than 90% of the world will ever enjoy on their best day. So, will it create a challenge? Will it create a challenge financially? Most definitely, it will. We'll find a way to work together to make it work and what that means - I don't have the answer to that yet, or how we will find that money. I think that I'm going to wait to see how this vote turns out and then we'll move forward - which ever decision British Columbians make and then make those determinations. Thanks for the question. I thought it was very good, [Caller]. Thanks.

**Moderator:** Great. Well, thank you. Our time is almost done for tonight's town hall. If you didn't get a chance to comment or answer your questions, you still have an opportunity to do so if you stay on the line when the call is finished. You'll hear a prompt and then you'll be able to leave a message. Minister, do you have any closing words for us tonight?

**Hon. Blair Lekstrom:** Well, Lisa. Thank you very much. I guess, first and foremost, I want to say thank you to everybody who has participated tonight: for those that I had the opportunity to call in; for those who stayed on the line; whether you could stay on the line for 5 minutes or were there from the beginning. Tonight is about hearing from you; what would you do if the HST was to be kept how would we improve it?

I think we've heard some common themes of what I've heard before. I've heard some new ones from the people and I want to thank them for that as well. This is about British Columbians and

I think what we've done tonight, in this telephone town hall, it's an amazing way to engage people. I tell people when I went into my first call - which was held in my home riding up in the Northeast part - I wasn't sure what to expect. I didn't know whether it was a good format or a poor format. I have bought-in to the format of what we're using here tonight – through the telephone town hall. I can't think of a better way for the public...and this many; I think we have about 28,000 people engaged in this. There is just no other method where you can engage that many people and hear from them and have a dialogue.

So, thank you. It is clearly about British Columbians. I wish this would've occurred sometime ago. So, that debate I think has been concluded, there is no question, the implementation was handled as poorly as could possibly has been handled. The recognition is there though and I thank the colleagues I work with and I want to thank again all of you who took the time.

If you didn't get a chance to ask your question tonight, make sure you visit [www.hstinbc.ca](http://www.hstinbc.ca); you will have the opportunity to participate in the survey there as well as the comment section. It's a great website on what and how the HST works. And if you want, you can stay on following this call as well and you will be able to leave a recorded message as well. So, in closing, thank you. Everybody lives a very busy life in the world in which we live today and the opportunity to engage you is what I'm very grateful for. So, thanks and have a great evening.

**Moderator:** Great, and thank you Minister for giving us your time in participating. Again, thanks to everybody for participating. We had almost 29,000 people on this call. So, have a great night and thanks again.

## APRIL 27, 2011 – SURREY TELEPHONE TOWN HALL

Host: Minister of Finance, the Honourable Kevin Falcon

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
135,277	54,138	26,935	16	50%	263	22

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the second of eleven regional town halls conducted by Government with British Columbians.

Minister Falcon responded to 22 questions and/or comments during this call. Issues that arose from citizens of Surrey included the following:

- Exemptions or mitigations for specific products or industries – school supplies, restaurants, products or memberships that support healthy lifestyles, Children's clothing for adult sized children, non-prescription drugs
- Cost to the Province if we go back to the PST.
- Provide a \$1000 credit per British Columbian
- What assurance do we have that BC won't introduce another tax in a few years?
- Impact on real estate – first time home buyers and Property Transfer Tax
- Implications of HST driving people towards the underground economy.
- Impacts on Senior's and lower income British Columbian's.

Four of the 22 callers mentioned reducing the HST rate - one caller suggested balancing a reduction in the HST rate by increasing the amount corporations pay in other taxes; another caller suggested looking at the Property Transfer Tax to mitigate the affect on homebuyers. Three callers raised the impacts the HST has had on the restaurant service industry.

Confusion remains about the application of the tax on specific products. Books and gas were two products mentioned that should be exempted – Minister Falcon pointed out they already are exempt from the Provincial portion.

### Questions/Comments to Minister

*I'm totally not in favour of HST... I'm in the bracket where I don't get that money back... why would I be in favour of it?*

*I would like to see an option where we keep the single tax, but reduce the amount and also increase the amount of corporation tax...*

*I'm an senior citizen and I totally agree with the HST.*

*We've had it increased from 5% to 12% and it's really a shock to a lot of small businesses that base their services on labour. What is going to be your fix to try to help us with that?*

## SURREY TELEPHONE TOWN HALL SUMMARY

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Confusion remains about the application of the tax on specific products. Books and gas were two products mentioned that should be exempted – Minister Falcon pointed out they already are exempt from the Provincial portion and there has been no change.

**April 27, 2011 Transcript: Surrey Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's, HST town hall call with BC's Finance Minister Kevin Falcon. My name is Sarah, and I'll be your moderator for the town hall this evening.

Before we begin, I'd like to give everybody some information on how this town hall will proceed. The Minister will have a short introductory comment, then we'll proceed with a live question and answer period. But first, we hear about privacy. This call is being recorded, and will be transcribed. If you don't want your ideas, comments or opinions to be part of the transcript of this call, please remain in the listening mode.

The minister wants to answer as many questions as possible, so we'd ask you to keep your comments short and get directly to the question. If you wish you ask a question, please press star 3. An operator will come on the line to ask you a few questions. Please use only your first name when speaking to the operator. We want to hear a variety, a wide variety of questions from you tonight, so the operator will make sure we've reduced the duplication.

After you've spoken with the operator, you'll be queued up ask your question and when you hear me announce your name, your line will be open, and you ask the Minister your question. After you've asked your question, your line will be muted so the Minister can then respond and you'll be placed back into listening mode.

Please note, there will only be time for questions and answers during this town hall. We won't have time for supplemental questions so the minister can hear from as many participants as possible. I ask you to use polite language on this call. Anyone using bad language or swearing will have to be cut off. Later in the call, you'll be able to provide your feedback on HST directly to the government by answering a couple of multiple choice questions. This is not a scientific poll for feedback rather it's an opportunity to engage you on some important questions about the HST and BC. We may not get to everybody who had a question tonight for the Minister, however, if you stay on the phone to the end of the call, you'll have a chance to leave your questions on a recorded message. Again, if you want to ask a question, please press star 3 at anytime on your keypad. And now, I will turn this call over to Minister Falcon for his opening comment. Minister.

**Hon. Kevin Falcon:** Thank you very much, and thank you for the overview. I promise I will try not to use bad language.

I want to thank all my fellow residents of Surrey who are joining us tonight in this telephone town hall; it's one of the first ever, certainly for this government. This is kind of a new thing for government; it really allows us to take advantage of technology and we now have it available today to open up the opportunity for us to listen to literally thousands of people at the time and I really appreciate those of you that have joined us this evening. I know there's lots of other things you can be doing. In the fact that you've taken time out of your busy lives and busy schedules and kids and everything else to take part - it's greatly appreciated.



I do think that the discussion on HST is really a very important issue for all of us. No matter what you think about the issue. And first, I also want to be really clear about the fact that I want to acknowledge as I have in the past, what a terrible job we did as a government introducing the HST very ineptly and frankly not explaining it at all to the public. So we take responsibility for this and partially why I am on this call tonight, it's a way of making sure that we use these opportunities to provide information. To help provide information to you, so that you can make an informed decision on whether to maintain the HST or go back to the two tax system of the PST plus the GST. But it's also an opportunity for me to listen directly from you on how we might improve the HST, and generate perhaps some good ideas that we could then take back to my cabinet colleagues and our government caucus to have a discussion about what changes we might be able to make to improve, what at the end of the day, we believe is a very sound tax policy.

I think it's worth noting at least to you to just point out that, you know, when I first ran for political office in 2001, the main reason I ran was actually to reduce the tax load. That was the whole reason - it was so important to me to run for office. And I think it's just important that when we have this discussion about HST, that since 2001, we have marched down the personal income tax rate in British Columbia by 37%. We now have the lowest personal income tax rate in the country, up to \$119,000 of income on the Alberta and we've also taken our general corporate tax rate which is the rate for larger businesses from 16 1/2% down to 10% in our small business rate. We've dropped by almost 45%. And we're going to continue to reduce it over the next couple of years down to zero because we are trying to encourage small business in British Columbia. So, frankly, I say that only so that you know that it's from someone that really believes in tax reduction.

I can tell you it was a tough decision, in some ways, when I thought about the HST initially because I recognize that although 80% of what consumers purchase under HST doesn't change. In other words, it's still going to be the 7% PST plus 5% GST for 12% overall - it is in fact true that 20% of purchases will now include that additional 7% that used to just be charged GST. That's something I think we need to be absolutely upfront with the public so that they understand; Yes it does generate additional revenues to government, but it is important to know that people ultimately are going to be contributing more.

Having said that, there are also many benefits in the HST that I think are important. Because not only does it result in the significant improvement to our province's competitiveness, it does show by actually reducing a lot of costs that are factored into the final price people pay. You never see them, but the small businesses across the province that pay PST and all of their input costs - pass those along to consumers. [The HST] allows those costs to be pulled out so that they can be more competitive. Not just here in BC, but with other provinces and indeed other countries.

It also happily reduces administrative costs. In BC, we no longer require 300 civil servants to process the provincial sales tax. That saves us about \$30 million a year, and it also reduces compliance cost for small business across the province by about \$150 million a year. Primarily, because they're not having to do paperwork for PST and then having to do separate paperwork for GST. And in addition, we've got 1.1 million low income British Columbians that now receive a new HST benefit of up to \$230 per individual and that includes children. I say that because that's important to recognize under the old PST, we had a

maximum of \$75 credit just for adults and that was capped at \$18,000 to family income. So under the HST, it applies not only to parents, but kids and it's up to \$25,000 in family income and it continues after that it just reduces depending on the growth of income.

So at the end of the day, you know, the argument I would make is – it's good tax policy, I believe it's the right policy for the province. But you know what, like any tax, it's imperfect. It can always be improved. So that's why I want to hear from you, about your thoughts on the HST and if you have any ideas on how we might be able to improve the tax.

These are hard decisions as you can imagine. Because there are actually, with these solutions, it's important we remember that any decision we make about the tax, particularly ones that may have cost associated with it, also have to have trade off. So, you know, we have to discuss these ideas, at the same time we consider the demands that we typically hear about making sure that we continue to invest in health care and education spending. While at the same time making sure that we keep our provincial deficit under control and return the balance budgets as we're required to do under our balance budget laws.

So at the end of June and throughout early July, all of you on the phone tonight, in fact all British Columbians, will be able to vote on whether we retain the HST or we return to the PST plus the GST model. And tonight, tonight's call is really a great opportunity for me to hear directly from you, ideas that you may have on improving the HST or how you feel about returning back to PST and GST system.

The one thing I want to emphasize is I don't want people to be worried about asking dumb questions. They're just are no dumb questions. It is often an area of complexity and don't, just don't be nervous at all about asking a question and thinking that you might be sounding like you're asking a dumb question. There are none. I've long given up on thinking every question I've ever asked is a really smart, intelligent question. So with that, I would turn it over to the moderator, and I look forward to answering questions.

Thank you so much all of you for joining us tonight in this town hall

**Moderator:** Okay Minister. I just like to remind everybody who may have just recently joined us that if you want to ask question anytime, please just press star 3 and you'll be put into the queue for a question. Minister, while people are getting their questions into the queue, maybe I'll start off by asking a question I'm sure a lot of people are thinking about tonight. Why did the Province choose to hold the referendum as a mail-in ballot and when should people expect to receive their ballots in the Province?

**Hon. Kevin Falcon:** Sure. Thank you for that. So, it's a very good question.

Primarily we made the decision to move towards the mail-in ballot as a result of concerns we heard about the cost of putting on a traditional voting ballot, you know, when you go to a poll and you vote. By going to a mail-in ballot, Elections BC estimates that the province saves about \$18 million.

We've had experience with this before, we did one on first nation issues back in the early part of, I believe, 2002. So what will happen is those ballots will start being mailed out on June 13th. Most people

should have received in by the end of June, but you'll have up until July 8th to request a ballot from Elections BC if you have not received one. Then you can fill it out and you've got up until July 22nd to get that mail-in ballot back to Elections BC so that you can have you say.

And I think that it not only saves money, it gives people an opportunity to reflect, to think about it and hopefully make an informed decision. One of the things that we are going to do is make sure, because we've been rightly criticized for not providing, is factual information to the public. And I guarantee as the government, we're going to provide factual, non-biased information. We're also going to ensure that both sides of the debate have an opportunity to access dollars to put forward their position. I think that's a responsibility and an obligation that we have, and we will follow through on it.

**Moderator:** Thank you minister. I just to remind everybody that at anytime, you can press star 3 and you can get a question into the queue. Minister, we have a question from [caller] who's calling about HST in the service industry. [caller] you're on the line ?

**Caller:** Yeah, go on it. Yeah

**Moderator:** Please go ahead

**Caller:** Hello

**Hon. Kevin Falcon:** Go ahead. Yeah

**Caller:** Well, yeah, hi. Actually I used to live here in your area. But to make a long story short. This service industry you guys really hurt badly with the HST. And I'm totally not in favour of HST. And I'm a senior citizen, and I don't buy this thing about people getting money, give them back. I'm in the bracket that I don't get that money back. And I can, everywhere I go pay on things for it, for things I never had to pay for. Why would I be in favour of that?

**Hon. Kevin Falcon:** No, it's. [caller], it's a very legitimate point of view. And I think we have to be clear that it does impact a part of the service after this. There's no question about it. Fast food for example is going to be 7% more expensive as a result of the harmonized sales tax.

Remember, when we harmonize the tax, what it means is that basically everything that had GST before, now it's emerged so that you got GST and PST. And as I say, 80% of consumer purchases don't change, but about 20% now include that extra 7% and I think it's absolutely right to say that there are some impacts on doing so. Now as a former health minister I to get people with all those who argued to me that we should, you know, should be putting an extra cost on junk food, et cetera. I don't want to get into that debate except to say that it does have an impact; we should reflect that.

Now, the issue is how great is the impact? And you know, you've probably heard on radio talk shows, et cetera, where you have restaurateurs. I know I heard one on CKNW a number of weeks back where a restaurateur phoned in, initially he was very strongly opposed to it when it was introduced. Really very publicly said it was going to hurt his restaurant business, et cetera, but he has been pleased to discover that that, in fact, has not been the case. And you know, it's anecdotal for sure, but I have also been

across the province and I've talked to lots and lots of restaurant operators that have said that they, they acknowledge that it has not had the impact that they've thought it would have. But they also say that the decision we made on the separate public policy on point 05, stricter enforcement on the point 05 drinking has certainly had an impact.

But, look. I don't want to pretend there's no impact. There are. There's winners and there's some losers. But overall, the belief on HST is that it improves the economy overall and creates a more competitive economy that makes a growing economy that generates additional revenues to support, important services for seniors like yourself, healthcare and other services, and also for families. Thank you, [caller]

**Moderator:** Thank you for the call. We have a participant, [caller] who's got a question about whether or not the HST applied to children sized clothing. [caller], are you on the line?

**Caller:** Yes, I am

**Moderator:** Please go ahead and ask the minister

**Caller:** Yes, with children's clothing. There used to be a tax exemption for children under 14. I'm raising a 12-year-old grandson that wears men's clothes. So particularly shoes and jeans that he goes through incredibly fast. I'm now paying 7% more for all of that. That upsets me.

**Hon. Kevin Falcon:** Yes, [caller] and we heard a lot of feedback about that. And this is kind of an important one. So what we have done is we have provided an exemption for children sized clothing. But what it does not do is some kids are bigger kids. They have to wear adult sized clothing. And so they are paying the additional 7%. That is true. And I acknowledge that.

In the old days of the PST is you recall, at least to have that exemption where small businesses were required to have people sign that piece of paper. Remember, used to have that piece of paper and people would have to sign it and say it was for, you know, a child and there was a huge amount of paperwork for small business. Then that had to be audited by our provincial sales tax auditors. It really was one of the examples that was often, you know, used to be about how administratively difficult the PST was for small businesses.

So the harmonization, though it does exempt children's clothing, you're absolutely right in pointing out that for adult sized children, there is that additional cost. And that maybe, you know, one of the things that you would probably be saying to me, [caller], is look Minister, why don't you do something to deal with that for us because that is an additional cost. I will happily take that under advisement and look at that as one of the things that we could perhaps look at in terms of improving. But thank you for that question [caller]

**Moderator:** Minister, thank you. We have a question from [caller]. And he's interested in knowing whether or not there's any opportunity to modify taxes on business. [caller] are you on the line

**Caller:** Yes, I am

**Moderator:** Please go ahead

**Caller:** Actually, I've got an observation and a question. The observation is, is that, and I'm generally in favour of the HST. However, the HST's reason for being is to make our businesses, small or large competitive with jurisdictions outside of the province and it seems to me that there's some pretty broad factors of our economy in BC that are, that are within the Province of BC that I don't put into that category. Restaurants being one, maybe gym memberships where there's definitely benefits for the health systems that people exercise. Seems like gym clothes and running shoes and somebody has already mentioned the children's clothes. But my question is, is well, will the province consider exemptions to the HST where there clearly is no competitive benefit of actually having it in place?

**Hon. Kevin Falcon:** Well, thanks [caller]. And a very, very good question.

So, to your first point, first about the competitiveness. You know, I think the issue there is you may ask yourself why in the Earth would government do this? Like why would we harmonize a PST and a GST? Well, one of the main reason is if you look around the world, there's 140 countries now that have harmonized sales taxes like the HST. They call them value added tax in Europe. But they're exactly the same thing. And there hasn't been a jurisdiction in 35 years, anywhere in the world that actually introduced a sales tax like the PST. They just, countries don't do that. In fact, the last country that did it was Greece in 1975 and it got rid about a year later. Even countries, you know, Communist country like China, Vietnam, they're all moving in introducing value added taxes.

And the main reason is that it's just more efficient way to actually generate increased revenues for government because it generates increased business activities that ultimately help support social services we care about. Having said that, you've pointed out something that is absolutely true. That when you harmonize, and this is the political tough part about the PST, that we get whacked over the head for it and that's very understandably, when you harmonize it, that means that the PST merges with the GST and it's going to impact some things like gym memberships for example, that used to just have GST charge. And now it's going to have the PST portion included also. So that increases it.

And people used to say that as a former health minister, why would you do that? We should be encouraging people to be healthy. You know, I can't, not disagree with what they're saying. But part of this listening actually, [caller], is to say we did provide exemptions under the agreement with the Federal Government. We're allowed to provide up to 5% of the GST tax-based towards exemptions that we as a province can choose. So we exempted the home heating fuel for example. We exempted fuel, gasoline. You know, when you fill up your car. We didn't want it to apply to that and the whole range of things. But we couldn't do everything. Because you then get back and do having a system that isn't harmonized and you get back and to have a bureaucracy to deal with all the exemptions you're going to make.

So your point though is gym memberships issues I think. I guess what you're saying is health issues; we ought to think about making sure that we find the way to deal with that additional cost that is being imposed on British Columbia. And I made a note of that, [caller] and I really appreciate those questions. A very, very good question.

**Moderator:** Thanks, Minister. Go with [Caller]. He's got a call about, or question about, why there are only 2 options with the HST? [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** [caller] please go ahead.

**Caller:** Yeah, what I'm wondering is I would like to see more options. I was totally opposed to the HST when he voted out. I can see some kind of benefits in it, but I would like there to be another option. I would like to see perhaps a full option where we keep the single tax, but reduce the amount. And also to increase the amount of corporation tax because this is just been the tax like from corporations, and it's being passed to the consumer.

**Hon. Kevin Falcon:** Sure. Thank you, [caller]. So that's I think another really important question.

So, the reason why the question is exactly the way it is, is because we as a government didn't draft the question. The question is actually drafted as a result of the recall and initiative petition that British Columbians signed. British Columbians signed a petition, about 10%, to say that there is going to be a referendum and the question is actually a question that was designed by the head of Elections BC. We as a government felt that if we tried to change that question or monkey with that question or provide other options, and I'm very sympathetic to what you're saying, believe me. But then if we did that people would say: they're, you know, government is trying to monkey with this to, to redirect the outcome. So we just didn't really want to go there.

Having said that, I think, you know. I think what you are saying is something I commonly hear. You'll hear critics say it was a \$2 billion benefit to business and it's thrown over to taxpayers. It's actually, that's really not entirely accurate. I understand what people would say, but it's really not entirely accurate. Because the difficult part of explaining is what happens when you introduce the tax. So, let me as an example say you're a wine producer. Well, under the old PST, what happens is you pay wine on the bottles you purchase, you pay [tax] on your labels, you pay [tax] on your bottles - PST tax, sorry. You pay your PST tax on all of those different elements to go into your wine up until you finally sell it to the consumer. And all of those are additional costs are reflected in what you, [caller], you know, come in and paid for when you buy your, you know, bottle of wine or case of wine or whatever the case may be.

Under the HST, all of those input costs are stripped out. So, that what happens is typically in a competitive market economy, you have competition. There's other wine producers out there too. And they compete on price. And if one of the wine produces says I'm going to keep the benefit I received; I'm not going to pass it along in terms of lower prices, then that often will hurt them in the competitive marketplace. Not always, but it often does. That's why in our free market economy, generally speaking, you see those things passed along.

Now, Michael Smart who's one of the top economist back East, looked at the Ontario situation, and he determined that was in the first 6 months of their introduction of HST. He'd already was able to track reductions in price down to the consumer. And that's why it is not, you can't just say that all the benefits

stays with business. it does ultimately flow through - not immediately. And I want to be clear about that, but it does typically flow through. But I think that's a really important point.

And the issue finally on corporate taxes and stuff. The reason why we essentially have gone on a path of trying to reduce corporate tax rates over time. As I mentioned since 2001, we've marched them down from 16 1/2% to 10% is because we really want to try and encourage investment in our economy. And we recognize that investment is mobile. It doesn't have to set up in BC. It can set up in Alberta, Ontario, other states in the US or around the world. And so we want to make sure that when investment is making the decision about where it's going to be doing best, that BC is going to be near the top of their list. And I think that frankly the success we've seen a new job creation and new company start ups as reinforced the rightness of doing that.

But it is a balance. You want not have it too low so that you, you know, are depriving yourself of important revenues that you want to support social programs. Thank you, [caller].

**Moderator:** Minister, thank you. We have a question from [caller] who wants to ask about the tax on gas. [caller], you're on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** All right. Good evening. I just wanted to sort of, would the HST as a tax a lot of people that they having to pay more. Would that not be beneficial to perhaps bringing a reduction on the taxes on gas due to off set, what we've paying extra in the HST?

**Hon. Kevin Falcon:** Sure. And thank you, [caller], for that question. And this is, this is one of the reasons why I think we have been rightly criticized this government. Because we have not provided basic information with the public so that they can understand what we in fact did and did not do.

So for example gasoline is exempt from HST, we don't, we actually made a decision that we were not going to apply HST to gasoline. And that was one of the decisions we as a province made. And so there's been no change in gasoline prices as a result of HST, the introduction of HST.

What we tried to do, [caller] and I'll take a second on this, is recognize that, you know, the way an HST or consumption tax works is that typically the more income you make, the more you probably spend. And so there's an essential fairness there in that. For example, really rich people are probably out, you know, going on ski trips. They're probably dining out all the time, et cetera. They're going generally pay more on HST than with someone that, you know, perhaps has less income and spends less. So what we are trying to do is to say well, let's have a system to make sure that low income folks are going to be looked after with the introduction of HST, because we don't want to penalize them in particular.

And that's why, what we did under the HST, is we provide rebates now. These are cheques that are sent to 1.1 million families 4 times a year to essentially make up for whatever essential impact they may have as a result of HST.



So for example, under the PST we used to have, say, you're a single mom earning \$24,000 a year with 3 kids, under the PST, you got 0 rebate at all. Nothing. Because it only gave \$75 rebate up to incomes of \$15,000 a year or \$18,000 for families. So she would get nothing.

Under the HST, the rebate to that single mom with 3 kids get is \$230 for her and each of her 3 kids. So that's \$920 a year that goes to that single mom. We did that because we wanted to make sure we made that single mom, or that low income individual, whole so that she's not likely to have to spend more than she was spending before under PST. And in fact most of the analysis you will hear from several independent researchers and economist is that the low income folks are largely either made whole or even come out slightly better under the HST rebate. So that's the decision we made.

Now, if we get rid of the HST, of course the HST rebate disappears too. So that single mom would go back to the way it was before, which is the PST would still be in place, and she's going be paying it on most of the same thing she was purchasing, but will receive no rebate whatsoever. Now to me, that's a really important piece of information that I have an obligation to make sure the public is aware of.

And that's the same thing with your question about gasoline, because so many people out there believe that they're paying HST on gas, when they're not. And that's our fault. It's not the public's fault. It's our fault because we have not communicated those basic facts to the public; that home heating fuel, that, you know, gasoline, it does not apply to and there other areas that we've exempted HST, does not apply to.

So we're going to get that information out to the public in a very neutral, unbiased way and make sure the public understands the facts and then they make informed decision. I'm entirely comfortable with the public, if they decide after thinking about it and looking with all the information they want to get rid of it. That is absolutely a reasonable decision for them to be able to make. It will have an impact, we will deal with them. But, you know, it was at least an informed decision. And that's, I think we owe that to the public.

So, thank you [caller]. I probably took longer than I should have, but I think that was a really important question.

**Moderator:** Thank you, minister. We have a call or question or question from [caller] who wants to understand what it would cost to re-implement the HST. [caller], are you there?

**Caller:** Yes.

**Hon. Kevin Falcon:** Go ahead, [caller].

**Caller:** Yeah, just curious what it would cost the government to re-implement the HST, if it was turned down? And I was kind of, we're in the dark.

Thanks for doing this first of. It's pretty nice that you're making a little bit more informative instead. It's very helpful. Thanks.

**Hon. Kevin Falcon:** Thanks, [caller]. I really appreciate it.

And this is, this is really important question. You know, and it's one that - I'm kind of known for saying it like it is. I think that we have to be honest with the public about this too. I don't want to sound like I'm fear mongering or anything. So I'm just going to give you the, the absolute basic facts.

If we eliminate the HST, it creates some challenges for us – there's no question about it. The first is we're going to have to rehire 300 civil servants for the cost of \$30 million a year and the reason we have to do that is because we're going to have that someone to administer our reintroduced provincial sales tax, the PST. So that's the first.

The second is we're going to have to re-impose on the small business community and the business community across the province, about \$150 million of cost to comply with the 2 tax systems because I'm a former small business person myself, so I know exactly what I speak here. That means that you have to do paperwork with respect to the PST and you've got to do paperwork with respect to the GST.; and you've got auditors for the GST and the PST. Believe me, it can be a pretty significant cost.

The third big one is the Federal Government. The Federal Government offered us in British Columbia the same deal as they have in Ontario to, you know, harmonize with the GST. And that is the transition allowance which essentially for BC was \$1.6 billion to allow us to transition into the HST. And this was at a time when we were going through the world international economic meltdown where we, BC and the country frankly, was hammered pretty hard by the international economic situation. \$1.6 billion, I was a health minister at the time, believe me that was money that was well needed. We would have to pay that back under our agreement. If we, if we get out of HST, then we have to repay \$1.6 billion back to the Federal Government. Obviously that's going to be a pretty big hit to us.

The final thing is this - the HST, as we said from the beginning, over time actually generates additional revenues to government. Over the next few years, hundreds of millions of dollars of additional revenues that are generated to the province, and those are revenues that are supporting our healthcare or education system, helping us get back to a balanced budget and there's just no question that, you know, if the decision is to get rid of it, we're going to have to manage those things. We can manage those things by the way, they just involve some very difficult trade-offs. We will make them if that's the decision the public makes, fully informed. Then we will have a plan to go back to the provincial sales tax. It will have cost and impacts associated with it. But we commit to doing that on behalf of the public if that's the public's decision. But, thank you [caller] for really good question

**Moderator:** Thank you, Minister. We have question from [caller] about reducing the percentage on the HST. [caller], are you there?

**Caller:** Yes, I'm here.

**Moderator:** Please go ahead.

**Caller:** Yeah. Okay. So, I have a proposal to make - it would be much easier to decide to keep the HST as it would be maybe 1% less since there is so much to pay. So I think it would be manageable to live with it for a while with 11% HST.

**Hon. Kevin Falcon:** Yes. Thank you, [caller]. And again, a really good question. I appreciate that feedback.

This is, you know, certainly the Federal Government, you'll recall reduce the GST from 7% to 5% over a number of years. And of course our PST is still at 7%. So if we reduce it by 1%, and I made a note of your suggestion and I thank you for that.

If we reduce it by 1%, that impacts provincial revenues from the HST by about \$850 million. So, you know, it's absolutely an important idea to put forward and that will be one of the options we will look at, [caller]. We're going to do a lot of policy work around that. Keep in mind that the reason I mention \$850 million is because like I said there's never easy decisions in these kinds of things. So there's always trade-offs.

So if \$850 million less revenue, I know that under our balanced budget law that we passed as a government, that we have to get back to a balanced budget. So I have to keep that in mind and have to recognize and we'll probably have to make up some of the revenue somewhere else. But I think that is an absolutely legitimate suggestion to put forward. I made a note of that, [caller] and I really appreciate you saying that. It's not the first time I've heard it by the way and these suggestions, whether it's gym memberships or the issue of reduction the rate 1% or some really good ideas that we hear from people. So, thank you very much for that.

**Moderator:** Thanks, minister. We have a question from [caller] about what can be reviewed with the HST and how that might affect restaurants. [caller], you're on the line?

**Caller:** Hi, Kevin. It, it's interesting to hear you talking finance after so many years of chatting up, you know, transit and roads and all of those things you did with that with the administer of transport. Are you enjoying yourself yet?

**Hon. Kevin Falcon:** Yes, this is, it's always nice to take a new portfolio and find that the first thing you have to deal with is with the HST. No, I can't pretend to you this was at the top of my list of things to do.

This is really, really important for the future of our Province and I just really, I feel such a responsibility to make sure that we get information out to the public so that they can make an informed choice. And I'll live with whatever the decision is of the public. I've always had great respect for the public. I believe that the public's way is smarter than most people given credit for. If you give them factual information, and after with ask - now make a decision - and then it will be the right decisions whichever way it falls.

**Caller:** Well, that said, you know, in the commodity prices, I have to say that any impact with the HST had on certain goods and services was really lost because prices are so volatile at the best of times. But within the arrangement that you have with the Federal Government is it in fact possible for you to refine how you apply the HST? You know, we heard a lot from the restaurant industry which of course the source of jobs especially for a lot of young people that it was particularly difficult on them because of

course the restaurant meal is discretionary. Is it possible that there could be an exemption for the restaurant industry, and what would that mean? What else would have to, you know, be added if restaurants were exempt?

**Hon. Kevin Falcon:** Thank you. That's a really good question. And certainly we did hear a lot of concern from the restaurant industry, particularly the fast food sector where, you know, obviously it's very price sensitive because the food is generally pretty inexpensive.

One of the things that you'll find with respect to the, the restaurant industry is that there's a benefit and there's a cost. The cost is that it's added an additional 7% is now added to bills. You know, they understandably were very concerned about the impact that that would have on their industry which is obviously price sensitive.

There are some benefits of course. For example, all of their business inputs in the restaurant business whether it's kitchen equipment, appliances, tables, chairs, cutlery dishes, linens, menus, all that kind of stuff used to be have PST charged on it - those costs are all now gone. So they don't have those input costs that they used to have before.

But I don't want to pretend it's all good for the restaurant sector, that additional 7% has an impact. In fact, I can tell you because I've been looking at these number pretty carefully. When it first was introduced, the HST was introduced, total industry receipts in the month of July 2010, fell by 0.7%. But what was interesting is that the following months that there was a 0.7% increase in August of 2010. So there was an understandable initial drop off, but it bounced back the following month. Total industry receipts have grown about 1/2 of a percent between the 2nd and 3rd quarter of 2010. So to give you a perspective during the same time period, industry receipts declined in Ontario by 1.7%. So, you know, part of that is our overall economy s starting to improved in BC.

Just this morning, we saw the consumer confidence survey that was undertaken and it came out and said that BC has the highest consumer confidence levels in the country. Which I think is reflective to some degree on their willingness to go out now and, quite frankly, I see one of the things, if the Provinces continues to do as well as they have, it will have a huge positive impact on the restaurant and pub business.

I can tell you. Last night as you saw, there is practically no traffic on the road whatsoever. But, you know [caller], I think that's an important question. If we tried to just take off the HST of all restaurant meals, it is a big hit. I mean it's, I haven't got the number in the tip of my fingertips, it's in the hundreds of millions of dollars. So it would be a very, very significant number. But I'll make a note of that, and we'll certainly factor that, that into some of the policy options that we can look at.

**Moderator:** I just want to remind, everybody on the call, if you want to ask question, please just press star 3 on your keypad now and you can get into the queue. Minister, we have a question from [caller]. I think it's about input tax credits. [caller], are you on the phone?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Csller:** I just question your reasons in wanting to give big business another 7% tax break. I mean when I go and buy a new vehicle, I've got to pay 7%. Now, this business or big company, they don't have to pay the 7% on anything pertaining to their business. And you talk about trickle down economy while it's a no wonder - which it does not work. Trickle down does not work. Hello?

**Hon. Kevin Falcon:** So we could have a good debate about that.

I think, [caller] what I would tell you though is, that back when I first ran in 2001, we had some of the highest corporate tax rates in North America. And BC, we also for the first time in the history of our province became a "have not" province economically. Meaning that like the Atlantic Provinces, we have to receive transfer payments from the Federal Government because our economy is needing support.

I do think there actually is a correlation. You know, one of the reason why we have a really low, small business tax rate in BC is because we want them to become large businesses. We want to grow and encourage businesses. And I totally get that, you know, business and taxes, and they've got lots of flaws, but most of us work for businesses. What I want to see as a Finance Minister is, I want to see a situation where we have growing businesses in BC, a growing business sector. And I want to make sure they pay lots of taxes to the government because they are a growing sector. So I think that's important.

The other thing I'll say is just what you mentioned, vehicles. Actually the cost of purchasing vehicles goes down under HST. It's one of the benefits. When you buy a new vehicle, you now pay less under HST. And I think that that's, you know, one of the benefits that you will find.

But you know again, you're right to point out that, I don't want to pretend it's a perfect tax, it is not. I haven't met a perfect tax yet. I just think that on balance, what we have here is acknowledge that we ensure that we have a more competitive business sector. And I think that's ultimately good if we have a growing business sector because that will generate more revenues to support programs we'd care about like health and education. So I think that part is important, you know.

And frankly, I just think that in government, for as long as I've been in government, I rarely hear people telling me that we should be spending less on things like health care and education, it's generally spend more. So we have to make sure we have a competitive tax system that's going to generate the kind of revenues that we need to support those kinds of services.

But, you know, I think on the trickle down, I think there's some partial truth to what you say. I think it's trying to strike the right balance. You don't want those rates so low that they're depriving you of revenues that you need to fund services. So, I accept that point.

**Moderator:** Thank you, minister. We now have time for the first of our 2 feedback question we want to get from our participants tonight.

I'll be asking you to choose your preferred answer by using your touch tone pad. Please listen carefully to the options; I'll read both the question and the answers twice.

The first question is - Government HST revenues increase faster than PST revenues would have because the tax base is broader and applies to services. Currently, government into using additional revenues to balance the budget by 2013-14. If you could pick only one way to use the additional HST revenue, which of these would you choose?

There are 4 options:

Increase spending on programs like healthcare and education, please press 2.

Reduce the tax burden on all British Columbians, please press 3.

Provide an additional HST credit to families with children, press 4.

Or reduce the deficit, press 5.

Again, Government HST revenues increase faster than PST revenues would have because the tax base is broader and applies to services. Currently, government into using additional revenues to balance the budget by 2013-14. If you could pick only 1 way to use the additional HST revenue, which of these would you choose?

Listen to these 4 options.

Increase spending on programs like healthcare and education, press 2.

Reduce the tax burden on all British Columbians, press 3.

Provide an additional HST credit to families with children, press 4.

Or reduce the deficit, press 5. Please vote now.

I'm going to go to a listener call from [caller]. He has a question about the transition comparison between Ontario and BC. [caller] are you on the line?

**Caller:** Yes, I am

**Moderator:** Go ahead

**Caller:** Yeah. I think the problem selling the HST was alleviated in Ontario by their, I believe, their families got a thousand dollar credit back through their money from the Federal Government and I think that would have helped solve the HST in BC?

**Hon. Kevin Falcon:** Yeah. Thank you, [caller].

Every government can do it differently because you're allowed to under the agreement with the Federal Government. As I say that's why I accept responsibility for the really terrible way we introduced the tax and didn't explained it at all.

So, just to give you the quickie explanation. Ontario was already well along this path in negotiating with the Federal Government. What happened after the election when the Federal Government approached us, we had the opportunity to piggyback on the deal that Ontario was getting, which had a lot of changes from what had ever been offered before. Particularly with the ability to set the rate ourselves so we could, you know, for example, BC at 12% has the lowest HST rate in the country, Ontario is 13%. And we also had flexibility to determine up to 5% of the GST revenue base where we could provide

exemptions and what we wanted to do. So, Ontario, you know, I'm not entirely positive of all the different things Ontario did. I do believe they did send out a cheque.

We decided we were going to have rebate cheques to 1.1 million lower income British Columbians because we were most concerned about ensuring that low income folks, those with family incomes up to 25,000 or individuals that doing up to 20,000 would receive full rebate - \$230 per adult and the same amount for their children. Which is most cases, makes them whole. And in many cases, they come out ahead. But we did that specifically because we wanted to make sure that, you know, that those that could at least afford it, wouldn't have to pay any additional cost under the HST.

So, you know this is an important point, because the PST, as I mentioned before, was very different the PST had a rebate that if you earned up to 15,000 as an individual, you got a \$75 rebate, period, as an adult. You got nothing for your kids. And if your family earning up to 18,000 under the PST, you also got \$75. So if there's 2 parents and 4 kids, you only got \$150. You got nothing for the kids. And that's why under the HST, that same family, you know, that family is now going to be 6 people getting \$230 per person. So that's a pretty significant difference and for me as a Finance Minister, I just want to make sure the public understand that.

Now, did we get that right? I don't know. You know, we tried to. But, you know, some people say yeah, okay, well that's fine. But you know, I'm still having to pay extra minister on my gym membership or I'm having to pay extra when I get my haircut. And I think, you know, you need to be aware of that and do something about it. So that's why we're having this listening exercise.

The other thing I should mention, folks, very quickly is that there's a website called HST in BC that you could go to. So if you just Google HST in BC, you can go to that website and you can get lots of information on what it applies to, what it doesn't apply to and it's very factual. And hopefully, if I haven't explained something fully or you didn't fully understand it, you can find the details there. I'm trying to keep my answers as brief as possible to get as many questions as possible. So, thank you for that, [caller]

**Moderator:** Thanks, minister. We have a comment from [caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** I'm a senior citizen, and I totally agree with the HST. Well, nobody ever says don't give me money for something. They're always asking for money, but there's exemptions for that. And we in the province, it's booming. It wasn't in 2001. He was, Kevin is right. And now it's booming. Everything, the businesses came back and it keep working. So I totally agree with the HST with this.

**Hon. Kevin Falcon:** Okay. Well, thank you very much for that input.

You know, I think it's entirely legitimate for people to say it. You know what, just leave it the way it is. Use the additional revenues to, you know, continue to get back to a balanced budget and support health



and education, and other spending priorities. That is a legitimate option too. Just as it frankly legitimate for people to say scrap it and go back to GST plus PST. That is a legitimate point of view.

I disagree with it. I think that it's frankly very hard to make a good argument for returning to a provincial sales tax, I really fundamentally believe that. I think it's why no where in the world is introducing sales taxes anymore and haven't for 35 years. But it is a legitimate point of view. It's just a different one. So I very much appreciate you saying that. And I've made a note of your comment. Thank you

**Moderator:** Thank you, minister. We have a question from [caller]. He's interested in the funding for education and health, and how going back to the PST might impact that. [caller], are you on the line?

**Caller:** Yes.

**Moderator:** Go ahead.

**Hon. Kevin Falcon:** Go ahead, [caller]. I'm sorry.

**Moderator:** [caller], are you there? Go ask your question.

**Caller:** Yes, hello.

**Hon. Kevin Falcon:** Go ahead, [caller].

**Moderator:** Okay. We may have lost [caller] minister. We'll move on to [caller]. She's curious about the tax being collected in BC but being sent to Ottawa. [caller], are you on the line?

**Caller:** Yes, I am. I was just, this is only my perception, but I'm a regular Canadian and just thought that there's something I haven't heard discussed that I'm aware of, anyway. And that's taking a larger step back and looking at a macro view of this problem. As I understand that we gave the federal government the right to collect our 7% PST and in return, we got a very large lump sum of \$1.6 billion. Plus we got about 1 or 2% back. So, they collect 7 and our Province gets about 1 or 2% back. Now, 1 or 2% going along plus the \$1.6 billion, of course we're going to look like we're prospering and there's roads and bridges and all kinds of wonderful things happening and people are back to work and that is very nice and Olympics didn't look too bad as far as helping pay for some of that et cetera, et cetera.

But my concern is, is down the road a little bit, when this money runs out this nice big lump sum that we got. What reassurance do we have as British-Colombians that the government won't then just introduce another tax for BC because the province needs more money? But the federal government still gets to keep the HST, you know, do you think that this is a legitimate question? It seems to me that we sort of gave something away, but what assurance do we have back that like I said, we won't just get another new provincial tax 2 or 3 or 4 or 5 years down the road and then we'll have both of them again?

**Hon. Kevin Falcon:** Sure. Thank you for that question, [caller]. It's an entirely legitimate question. So, actually, I'll just correct a couple of things just to make it clear. And I probably wasn't clear and I apologize for that.

But the \$1.6 billion was one-time dollars that were provided by the federal government to the Province to help us transition into harmonizing the provincial sales tax with the GST, which then became known as the HST. So those are additional dollars, one-time dollars.

And frankly, I mentioned earlier, at the time they were really welcome dollars because of course we were going to an international economic meltdown at the time and you know, as health minister at the time, I was sitting around the cabin table looking at - I remember one period where we saw over \$2 billion in revenues we were counting on disappear in a 60-day period. So, it was a pretty frightening time for business, for governments around the world. So, that \$1.6 billion was kind of meaningful especially at that time.

But I don't want, I have to correct you in the sense that you know, we still get all our provincial PST revenues back because we harmonized the PST with the GST. As I mentioned, the 80% of consumer purchase don't change, but on 20% of them, the PST portion, now applies in addition of the GST. So, that actually generates additional dollars to us. All the federal government does is administer it so that we don't have to have two duplicate bureaucracies administering two separate taxes.

This is the simplification part of the HST. Instead of having a provincial bureaucracy of 300 people costing \$30 million a year, then imposing all of those additional paperwork cost on the small business across the province, because they have to deal with the provincial sales tax bureaucracy in the filings and the auditors and then they also have to deal with the GST filings, the paperwork and their auditors. In this HST world, it's all done together and it's all done by a federal government and they send all the revenues back to the province of British-Columbia that are generated as a result of our PST being merged with the GST. As I mentioned, its additional revenues, particularly over time, because what happen is you have a much more efficient tax system that generates additional business activity.

That's again why 140 countries around the world moved toward these kind of value added taxes. You know, it was an earlier caller that said and it's fairly said, I don't take any track with people who say, Well, you know, it's a break to business. It is, but it is done for the purposes of trying to generate growth. It allows British Columbia and companies to be more competitive, whether it's with Alberta companies, or Ontario companies, or United States companies, or Chinese companies or what have you. We want to have the most competitive possible environment so that we can have job growth, economic growth and economic activity.

And that in a nut shell is why we made the decision to go with HST. But it is, I want to be clear, it generates additional revenues particularly in the out years for the government of British Columbia. In fact, from day 1, we thought we actually were going to lose revenues initially as we, paid out the rebate et cetera. But it is such an efficient tax, in terms of stripping out a whole bunch of cost that are imposed to business and put cost through imposed on small business cross the Province that it has generated increased economic activity, which is resulted in the increase of revenues and that will grow in the out years. But thank you for the question as it's still a very good question

**Moderator:** Minister, thank you for that. Why don't take a moment from the calls to invite or welcome those who joined the call part way through our call tonight and ask Minister for you to restate your

opening comments . Some people who have joined and not have heard your opening comments.  
Minister

**Hon. Kevin Falcon:** No problem and thank you very much; I'll try to be very brief.

This is being done because we've phoned so many households in Surrey. It takes about 25 minutes, I understand, to make all the phone calls so a lot of people came on and missed my opening comment. I'll just be really, really very brief.

Welcome, my fellow Surrey residents. Thank you so much for coming out, and thank you for joining us and allowing us to use this technology to reach out. There's so many people, and to allow me to hear such great input. Just heard a whole series of very, very good questions with respect to HST.

One of the things that we want to do with the government is make sure we achieved 2 things. Number 1, I really want to make sure that we have an informed public on HST, so that when the public goes to do their mail-in ballot referendum, we've moved up the data as you know to the end of June, we want to make sure that when the public makes that ballot vote, they're doing it on an informed basis. That's really important to me because I just think it's so important that we make sure that public has the right information, and then they can decide whether they want to keep HST or go back to a PST plus GST system.

But the other purpose of tonight's call is to listen to members of the public, and we're going to do this myself and Minister Blair Lekstrom, my colleague is doing one tonight also, up in Peace River Country. We're going to do this right across the province and we're listening to try and see if there's ways or ideas that the public might have on how we might improve the HST. And generate increased support for what we believe at the end of the day is sounds tax policy. Poorly introduced for sure, not explained at all, absolutely we're guilty of that, but we're going to fix that and we acknowledge that we really could afford job initially.

So, and I have been listening, it's about making sure that I can hear from you folks your ideas, your suggestions so that we can then take that back and as a cabinet and a government caucus, we can listen to those, we can look at the policy option ideas and see whether there's something we can do to improve HST. So, thank you so much for joining us tonight and I look forward to more calls.

**Moderator:** Thank you, Minister. Just to remind everybody for those who did joined the call, but if you press star 3, you'll be able to get into the queue to ask the minister a question. We're going go to [caller]. He's got a question about HST being passed on to consumers. [caller], are you on the call? [caller] are you there?

Okay. We got feedback and we've lost [caller]. We'll go to [caller] he has a question about HST and its application on real estate. [caller], are you there

**Caller:** Yes, I'm here

**Moderator:** Please go ahead

**Caller:** Yeah, it's in. yeah. It's in regards to real estate and of course that real estate prices in BC as you know are ridiculously high. And of course the amount of tax that's now paid is it's almost obscene when you figure it out. And I was wondering whether specially for first time buyers, I know there's certain rebates available, but they come in at a level that seems ridiculously low and if it were adjusted to a more meaningful level that was adjusted to inflation.

And then of course the property transfer tax, that again is the second tax that adds a tremendous amount to real estate. Those 2 items alone just make the amount staggering. I don't mind paying a little more for my meal or few other little things like that, even vehicles and that seems to be acceptable. When you talked about something that you want to encourage in the Province like home ownership, it'll having a more meaningful level adjusted to first time buyers. I think would be a big step is something that I would like to see.

**Hon. Kevin Falcon:** Sure and thank you, [caller] great question. And, you know, I've certainly heard that before. So what we did is we provide essentially full rebate of the cost of purchasing a home up to \$525,000. So we provide a \$26,000 rebate and over \$525,000, of course the additional cost is going to be added to the purchase price. And there's no question that is an additional cost.

Now, I just made a note here of your suggestion and I think what I heard you saying, [caller]. And I think it's fair to say \$525,000 cost in the old days, that was, that was a pretty expensive price. And I know that in most parts of the province, you might be able to buy a house for 525; in Surrey and Vancouver it's., you know, that's still pretty tough to do. You can get maybe a condo or a town home, maybe some houses, but as we all well know, 525 is often just the starting point for many homes.

So, I made a note of your suggestion. I think what you're saying is that when you look at that impact over \$525,000, you know, taken the fact that you got property purchase tax that was introduced in the 1980's. Then also, you know, has an impact in housing costs. That's something is a very legitimate comment, and made a note of that, [caller] and I thank you for that input.

**Moderator:** Thank you. We now have time for the 2nd of our feedback questions.

Again, I'll ask you to use the number pad and answer the questions. Listen carefully, I'll read the question twice, and the answers. Here's the question:

If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could take only 1 option to make up the revenue difference, which of these would you choose? There are 4 options.

Increase the PST rate, press 2.

Raise personal and corporate income taxes or other taxes, press 3.

Run larger deficits, press 4.

Or cut government spending, press 5.

The question again: If British Columbians choose to return to the PST-GST system, there will be a negative impact to the provincial budget. If you could pick only 1 option to make up the revenue difference, which of these would you choose? These are the 4 options:

Increase the PST rate, press 2.

Raise personal and corporate income taxes or other taxes, press 3.

Run larger deficits, press 4.

Or cut government spending, press 5.

Please vote now.

We're going to go to question from [caller]. He's a small business owner with a question about tax on labour. [caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Go ahead.

**Caller:** Hi there. I have a question about this that has to do with having tax on labour, which is driving labour underground with such a high amount of tax that we've had it increased from 5 to 12%. And it's really a shock to a lot of small business that based their services on labour. What is going to be your fix to try and help us with that?

Because I think that it should be, possibly, going back to way it was before, which is 5%. And now to be paying 12% on labour on top of doing the job, say a kitchen renovation or any of that kind of renovation work.

**Hon. Kevin Falcon:** Thank you, [caller].

Look, I think that, that's just legitimate. And I, you know, someone asked me a variation of question the other day. They said, well you know Minister, with the HST, isn't that going to encourage more underground activity? And I don't want to pretend it won't. There probably will be some of that that's going to take place. It's always been there, but there probably be some more of that. So I don't want to, you know, pretend to people.

This is one of those examples where there is some cost. I think, when we think about the HST, it really has to be in the context that on balance, this is good or bad thing with the economy as a whole. And, you know, overwhelmingly what most of the panel of economist, and anyone that really seriously takes a hard look at it, - if they're truthful, I think they'll say, you know what, there are some winners and losers. In your case, there's no question, if you're selling labour, that labour cost is higher. It's now going to be 12% instead of your old 5%. No question about it.

Well, that does inhibit some people from purchasing some household labour, it could. But I think on balance, if we have a tax system, there is a tax system that encourages investment and growth and a strong economy, that that will benefit all of us. And a strong economy, it's kind of like the Conference

Board of Canada this morning, when they reported out that British Columbians has the highest level of consumer confidence in the country. That's generally a good thing because when we have high levels of consumer confidence, then British Columbians are prepared to spend and they're prepared to, you know, make investments, buy homes, whatever the case may be.

And so I believe, overall on balance, we get a better result. But that doesn't mean that the example you raised is not factual. Doesn't mean that in some sectors, the restaurant sector, some part of the restaurant sector, clearly not all because I hear positive stories too. But, you know, clearly some segment of the restaurants, in particular fast food, are going to be impacted with the more price sensitivity. So, you know, we have to acknowledge that. But I think that [caller], I have made a note of this, and I'll give that some thought and talk to our policy shop as one of the areas that, if there's, you know, anything we can do or look at. So I really appreciate the question.

**Moderator:** Thank you, Minister.

I just wanted let you know we've had almost 27,000 participants on the call tonight. So, thank you for the patience on the line, for the questions. And again, if everybody wants to press star 3 to get in line to, ask the Minister a question, please do that now.

We're going to go to [caller]. He's got a question about HST on reading materials and school supplies. [caller] are you on the line?

**Caller:** I am.

**Moderator:** Please go ahead.

**Caller:** Yes. I was just wondering if there's any way of eliminating the HST on the school supplies and reading material? I am actually in favour of the HST, but I think that in certain areas that should be eliminated.

**Hon. Kevin Falcon:** Thanks very much, [caller]. I think the good news is that we've exempted books from the HST so that we keep it the same as it always was.

So that includes, I'm advised, that includes educational books, but thank you for the questions here.

**Moderator:** And now we'll going to go to [caller]. He's got a question about HST on the unemployed and on seniors. [caller], are you on the line?

**Caller:** Yes

**Moderator:** Please go ahead

**Caller:** The question on unemployment is the fact that actually in BC we are a very strong economy and that, but we still have a heck of a lot of people that are unemployed. So, as far as the HST, I do believe it's a good thing to have the harmonization but I don't believe at 12%.

The other part that I disagree with is the amount of seniors that find it extremely hard to have HST on a lot of the household charges they do have. They get such a small increase in any type of pension they do get a cost of living, but there are a cost of living has grown a heck a lot more in places like Surrey then and some of the other areas. So that's my concern is maybe the senior citizens.

**Hon. Kevin Falcon:** Sure and thank you, Ken for that and I think that's a very good point.

I'm just making some notes here on that, seniors for sure. And you know, my mom is a senior. We've all got aging parents. We know frankly as a population, we've got an aging population and a shrinking work force, which I would argue as another reason why we want to make sure we have a sound sensible policy options.

I think our tax policy, I think it's important to recognize that of the 1.1 million British Columbians that received the HST rebate, 15% of them are actually seniors and remember that you know, a single person that's earning \$20,000 a year receives \$230 a year in HST credit and again, partial rebates are there for those who are earning up just over \$25,000 in family income.

So that doesn't mean that there's still not an impact. There is \$230 you know, generally, it depends how much the senior spends you know, it depends if they're still spending a lot of money, if they're eating out a lot. If they're, you know, going for regular haircuts et cetera. It just totally depends. To put it in perspective, \$230 you have to spend about \$3300 to equate to the \$230 rebate that you receive. So, it's just sort of a point of contact.

I do think though that what I've heard from you [caller] is you're concerned about the impact on seniors. We have to be very aware of that and we have to, you know, consider that and make sure we fully and very carefully look at what the impact is for seniors and whether the rebates that we provide for low-income seniors are fully offsetting the impact of the additional cost that they will be paying in their spending on HST and that's something we will absolutely take a very very hard look at.

Because, as I said at the very beginning of this program about HST, you know, HST it impacts people differently. It totally depends on what you spend. So across the spectrum, at the low-income side it could be anything from virtually no impact to your slightly better off. To the, you know, as you go higher up the income scale, typically you're out spending a lot more and you're paying more in HST. That's how a consumption tax generally works. But, [caller], I appreciate the question. I made a note of that and we'll follow up on that.

**Moderator:** Thank you for that. I just wanted to note that we probably have time for 3 or 4 more question.

For those of you who waited patiently in the line, remember that you'll be prompted at the end of the call to leave a recorded message and it will be reported out for the government , so thank you for feedback in advance.

Minister, we're going to go to [caller]. He has a question about the effect of the HST on families with small children who are not business owners. Are you on the line?



**Caller:** Yes, I am

**Moderator:** Please go ahead.

**Caller:** Yeah, sure.

Minister, my concern is we are a young family who's not in the low income bracket; we do not have a small business. So we're earning fairly all right, but the HST we are noticing that we are not getting a good rebate as we, you know, as others do get and we are paying through and through and through. So my concern is, is HST going to back people like us to either start a small business or to low income families or move to Alberta, which does not have the HST.

So the point here is, I do understand you are saying that countries have, you know, to evolve. So Canada is a country, it has evolved with an HST to you know, everywhere, except Alberta, and other part of Canada? What are my options? It's what I'm saying, it's what my concern is today.

**Hon. Kevin Falcon:** Sure and thank you very much for the question.

I think it's a good question because look, what happens with HST and you're right to point it out. So I don't know how many members of your family you have and obviously I don't know what your family income is, nor I do want you to state over the phone. But the important point that recognize is that under the HST we provide rebate so we provide cheques that we send back - cash in the form of cheques four times a year - for families that are earning up to \$25,000. If they earn up to \$25,000 and get the full \$230 for each man, woman and child in their family. But we provide partial credits that continue to be giving for incomes up to \$48,000.

Now you know, at some point you have to cut it off, right? I mean you don't necessarily want to be providing you know, rebates to family that might have a family income of over a \$100,000 for example. Even though we recognize that there is an impact on those families, they're probably spending something more than they used to because of the fact that you know, that PST portion does apply now to 20% of services that it did not apply to you before.

So what I'm hearing from you, I think, is what you're saying is even for those families, you know, that are struggling to raise their families even with the personal income tax cut of almost 40%, I talked about at the beginning, I totally recognize it still struggle.

But what you might be interested in is our budget that we introduced in 2011. If you go back to, I think it's in the appendix, there's actually a chart and shows what the total tax burden in British Columbia for families. And it has got different ranges, you know a family with an income of 90,000 and it's got all the different examples. A senior earning \$ 20,000, that's got all these different examples. And it compares it. And that means everything from MSP premiums, to consumption taxes, to personal income taxes, the property taxes, the whole sort of range of taxes. BC, [caller] ranks at the very bottom in Canada, or just slightly above Alberta and I think that's important thing to recognize.

So if you were to say to me as the Minister of Finance or Minister, where should I go? Where will I pay the lower taxes? I would have to honestly tell you, you would be slightly better off in Alberta depending on your income level. But British Columbia is right next to Alberta in terms of the lowest tax jurisdiction in the country and it is dramatically higher in some provinces like Ontario, Quebec and some of the other provinces.

So my point is that HST, it does impose some additional cost but it also has some really significant benefits. The lack of duplication, the huge reduction in administrative burden that's imposed on some business and frankly on government. We save \$30 million year from not having to have 300 bureaucrats that are handling the paperwork associated with the provincial sales tax. So you know, we have to factor all of those things.

And in terms of whether you know, where you start a small business well, I can tell you we've reduce the small business tax rating BC by about 45% since I got elected in 2001. We're marching that rate down at schedule to go down to zero by 2012 and this threshold for what we define as a small business we've increase from \$200,000. In other words if you are up to \$200,000 in your small business you pay a small business tax rate, we increase that to \$500,000. So that is really about trying to incentivize individual like yourself to start a small business in a province like British Columbia. Where hopefully you're going to be a big business and then pay the higher 10% tax rate, but that'll be based on the success of the business.

But thank you for that and I appreciate that feedback and I've made a note 'cause really what you're saying at the end of the day is look, you know, your family, you feel you know, that you're still paying additional cost. I can tell you our new premier, Premier Christy Clark has been very clear that we are a government that is going to be looking at everything we do through a family lens and we want to try and reduce the impact on families and I've made a note of that and I really appreciate that call.

**Moderator:** Okay, Minister. You have time for a couple of more questions.

We're going to go to [caller]. She's a single mother wondering about how she benefits from the HST. [Caller], are you on the line?

**Caller:** Yes, I am

**Moderator:** Go ahead

**Caller:** Oh, hi. I think actually. Hi, Kevin.

I do disagree with how the HST would actually help and which you've been talking about that a lot tonight. I do disagree how it was presented to British Columbians and I think that's why you had, the government had, such a backlash from everybody with you know, getting the petitions. That's why Gordon Campbell had to step down. So first of all I don't agree with that.

Second of all, I think the question that I had was pertaining to what that lady asked just prior to me coming on about middle income families. I'm just above that threshold. So what's the benefit for me?

All the prices are going up, except my wage and now we have to pay the HST. And I've seen on the news yesterday that they're bumping up all of the next year prices on groceries are going up, meat, vegetables, a certain percentage so I think you've kind of answering my questions prior to like what, what benefit do I get?

**Hon. Kevin Falcon:** Sure and that's a very good question and by the way just on the groceries I haven't mentioned before; groceries are also exempt from HST. So I just want to make sure everyone knows that.

But you're right about your grocery prices are going up, because of demand for commodities and there's you know real price pressure now on certain goods in grocery stores. But I just want to emphasize that's entirely unrelated to HST, which does not apply to groceries, and nothing is change with respect to that.

One thing I do want to say is that, so if you're just above that threshold, the income threshold that I talked about, what that means is that yourself, as a single parent and your child or children will still receive HST credits, but they will be adjusted depending on how high your income is. So I mentioned earlier, you know, we have partial credits that are provided for incomes that go up to you know, \$48,000 and these HST rebates are entirely distinct and separate from the GST rebates that apply. So for example, a family of four, you know, you've got, if there's a family of four earning \$25,000 they get \$920 a year in HST credits. But they also receive just over \$900 in GST credits annually.

I think that's a really important fact that we want to out there for the public, and ironically just today in question period, I had the Finance critics for the NDP stand up and ask a question about the HST rebates that really made it very clear he didn't understand that facts. So it just shows you what a job we have ahead of us to make sure that we get proper information out to the public.

But I think [caller], what I want you to know is Premier Clark, our premier has made it very clear that she really wants us to look at things from a family lense and to do everything we can to recognize that even with personal income tax reductions over the years and some of the other things that we've try to do to lightened the tax load, it's still tough.

We live in a beautiful place, no question about it, but it's still tough to raise a family and I've made a note that, I think if I could fully understand what you said is - let's try and find a way to provide additional relief at the family just like myself.

So thank you very much for that, [caller].

**Moderator:** Minister, thanks for that.

We'll take one more caller and we have some time for some closing comments.

I'll just remind everybody that at the end of the call, you'll be prompted to leave a message if you want to leave any comments or questions for the government at the end of the call.

We'll going to go to [caller]. [caller] has a call about HST on prescription drugs. Minister could you. sorry, [caller], are you on the line?

**Caller:** Yes.

**Moderator:** Please go ahead.

**Caller:** So my concern is, I'm glad that you've got a family emphasis on this, but family need to sometime consult lawyers. They need non prescription medication. These things are non-discretionary.

And to have any kind of a tax on those is penalizing, I think to a number of individuals, not only in the lower income brackets but in middle class and upper middle class. It really limits what you can do. It limits your control over your health and your social situation.

**Hon. Kevin Falcon:** Thank you very much for that question [caller].

I think it's a really important point. The one thing I can tell you is good news here is prescription medication and drugs dispensing fees are there's no change or whatsoever under HST. So at least the provincial portion does not apply and there's been no change whatsoever.

What you should also know is that if you are a senior or an individual of low income under fair pharmacare and there is significant subsidies that are provided, I know as the former Health Minister, that eliminate the cost of your drugs depending on what your income is and of course the more income you have, the more you contribute towards the cost of your drugs.

So it's entirely income related and in fact the lower income benefits has been actually improved recently. So if you need more information on that, feel free to e-mail myself directly if you wish. Or you can go to HSTinBC.ca which is the website that talks about what the HST applies to and what it doesn't apply to. It's all in there for you. But thank you for that question [caller].

**Moderator:** Okay. So that's all the time we have for questions on the call tonight.

But again, please stay tuned and at the end of the call you'll be prompted to leave a message if you're interested in doing so.

Thank you for your participation. Minister, I'm going to turn it over to you for your closing comments

**Hon. Kevin Falcon:** Certainly and thank you very much.

I just want everyone to know I'm really honoured that 27,000 people would make an effort of picking up their phone and having a listen to this telephone town hall for Surrey. I really appreciated the feedback I got. I thought those are exceptional questions. I said at the beginning, I don't think there's any such thing as a stupid question and we heard actual a question throughout and I've made a copy as notes in terms of some of the suggestions and the concerns the people have around the HST and I really appreciated it.

I want folks to know that I absolutely acknowledge upfront that we did a terrible job in how we introduce the HST and how we did not explain it and I sincerely apologize for that. Having said that I really believe it on balance, though it's not a perfect tax, I really do believe on balance that harmonizing our provincial sales tax with the GST is the right thing to do overall for the benefit of our economy in our province, in our future and frankly for my kids and yours and the kind of future that we want to have in the province.

But what we want to do is figure out under a new Premier Christy Clark and under a lens of how do we make things better for family, for a families first agenda. We really wanted to hear other ways that we can improve HST and I've heard some exceptional ideas this evening.

I very much thank all of you for taking part in this and those of you who didn't get a chance to ask a question as they mentioned you can certainly leave a message with us. You can also go to [HSTinBC.ca](http://HSTinBC.ca) and you can contact us through that and there's an e-mail address, [HSTinBC@gov.bc.ca](mailto:HSTinBC@gov.bc.ca) or you can e-mail me directly and we'd be happy to get back to you with any questions or further information you have.

Thank you so very much. I've really enjoyed it tonight.

**Moderator:** Thank you Minister and thank you everybody for participating. I'm going to formally close this town hall and wish everybody a good evening. Goodnight

## MAY 4, 2011 – VANCOUVER SUBURBS TELEPHONE TOWN HALL

(including Burnaby, Coquitlam, New Westminster and Port Coquitlam)

Host: Minister of Finance, the Honourable Kevin Falcon

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
142,292	50,403	38,522	15	76%	234	24

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the fourth of eleven regional town halls conducted by Government with British Columbians.

Minister Falcon responded to 24 questions and/or comments during this call. Issues that arose from citizens of the Vancouver suburbs included the following:

- Impact of cross-border shopping on BC retailers; interest in keeping consumer dollars in BC; concern that businesses are not passing on cost savings to consumers;
- Reduce HST by 1 per cent; Interest in when the HST will be reduced;
- Exemptions for vitamins, minerals, and herbal supplements; adult-sized children's clothing;
- Impact / fairness of HST on seniors and those on fixed incomes; the middle income earner is screwed; tax corporate profit rather than low wage earners.
- Concern over how much of personal income goes toward taxes.

### Questions/Comments to Minister

*"Government stresses the importance of health and fitness, but with the HST on bicycles, fitness clubs, fitness equipment, prices have gone up. What are you prepared to do about that?"*

*"Why do we have to hit our tourism industry harder? It is an important industry for BC."*

*"Our clothing budget has gone through the roof so we've taken to cross-border shopping. I hate not keeping my money in BC, but our costs are just too much. What are you going to do for me?"*

*"You are talking about the balanced budget law; that was not our choice; that was yours."*

*"I have been a contractor in Vancouver for 20 years. The HST has been passed on to my consumer almost fully. Many of our consumers have moved to a cash system or underground economy. It really has affected the honest businessmen like myself who have probably lost hundreds or thousands of dollars in revenue; it's rewarding the guy doing cash business."*

### Stats to come from Campaign Research on question types

## VANCOUVER SUBURBS TELEPHONE TOWN HALL SUMMARY

(including Burnaby, Coquitlam, New Westminster, Port Moody and Port Coquitlam)

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- Concern over how much of personal income goes toward taxes.
- Interest in keeping consumer dollars in BC; concern that businesses are not passing on cost savings to consumers.

Confusion remains about what products have been affected by the introduction of HST. The impact of cross-border shopping to Washington State on BC retailers was raised. Minister Falcon pointed out the vast majority of consumer products have not changed under HST (from PST + GST) such as common cross boarder purchases – electronics and clothes – and Washington State has a 9.5% sales tax on items, including restaurant meals.



**May 4, 2011 Transcript: Vancouver Suburbs Telephone Town Hall** (Burnaby, Port Coquitlam, Port Moody, New Westminster and Coquitlam)

**Moderator:** Hello and thank you for participating in tonight's HST town hall with BC's minister of finance, the Honourable Kevin Falcon. My name is Marisa and I'll be the moderator for the town hall this evening.

Before we begin, I'd like to give everyone some information on how this town hall will work. The minister will have a short introductory comment and then we'll proceed with the live question and answer period. A word about privacy. The call is being recorded and will be transcribed. So if you do not want your ideas, comments or opinions to be part of the transcript of this call, I recommend you remain in listening mode.

In order to include as many questions and comments as possible on this call, please keep your questions short and to the point. If you wish to ask a question, please press star 3 on your keypad. It is as simple as that. An operator will come on the line to ask you a few questions. Please use only your first name when speaking to the operator. We want to hear a wide variety of views and questions from the audience tonight. So the operator will make sure that we reduce duplication.

After you have spoken to the operator, you'll be queued up to ask your question. When you hear me announce your name, your line will open and you can ask the minister your question. After you've asked your question, your line will be muted so the minister can respond, and you will be placed back in listening mode. Please note there will be only questions and answers during this town hall. We won't have time for supplemental questions as the minister would like to hear from as many of you as possible. I ask that you use polite language on the call. Anyone using bad language or swearing will be cut off.

Later in the call you will be able to provide your feedback on the HST directly to government by answering a couple of multiple choice questions. This is not a scientific poll for feedback rather an opportunity to engage you on some important questions about the HST in BC.

Thanks for your patience everyone. We'll do our very best. We may not get to everyone who has a question or a comment for the minister tonight; however, if you stay on the line until the end of the town hall you will have a chance to leave your comments in a recorded message. Again, if you want to ask a question tonight, please press star 3 on your keypad.

I'd like now to turn this call over to Minister Falcon for his opening comment. Minister....

**Hon. Kevin Falcon:** Thank you very much for the introduction and thank you all for joining us on the latest of our telephone town halls. I want to recognize a couple of colleagues that are joining me listening on the phone tonight. They won't be speaking but they will be listening; that's three MLAs: we've got Doug Horne from the MLA for Coquitlam-Burke Mountain, Minister Harry Bloy, the MLA from Burnaby-Lougheed and Richard Lee, the MLA from Burnaby North. And I want to welcome all of them. I really appreciate you folks coming on line this evening. I'm looking forward to hearing from you and listening what you have to say about a very important issue facing all of us.

First, I want to be very upfront in acknowledging something I've acknowledged many times before but is worth repeating, and that is I acknowledged that we did a terrible job as a government, introducing the HST and frankly not explaining it to the public adequately at all. And we take responsibility for that and it's partially why I'm on the call tonight. I want to make sure, first of all, that I can hopefully provide some information that will help you folks make an informed decision when you get the opportunity to vote on the HST. But perhaps, maybe even more importantly, I want to listen on how we might improve the HST and generate increased support for what I believe, at the end of the day, and what most independent analysts will tell you is very sound tax policy.

So, I think it's important to recap the HST just for a minute. We know that 80% of total consumer spending is unchanged as a result of moving to the HST. In other words, we have the 7% PST and the 5% GST as before. That equals 12%. And for 80% of consumer purchases, consumer spending, there's no change. We do recognize, though I want to be clear, that 20% of consumer purchasing there is an additional 7% tax that is now charged, the old PST, because we've harmonized. So I think it's very important to point that out upfront. People pay more and that's where they're paying more.

I think it's also important to point out there are some significant benefits. Firstly, from our point of view, and you'll hear this in different reports, but it reduces significant administrative costs for government and for business. So, for government, for example, we don't need 300 civil servants anymore to have to oversee a provincial sales tax system that cost us about \$30 million a year. For small business, they don't have to have \$150 million in costs having to complete two administrative functions: that is doing the paperwork for a provincial sales tax and the paperwork for a GST. So that duplication, and those additional audits that are done provincially and federally, increased the compliance cost for small business sector.

It's also I think worth noting that there are 1.1 million low-income British Columbians who today receive an HST credit of \$230 per individual, which includes children. And that applies to a family income of up to \$25,000. Now I mention that because under the old PST the maximum rebate we provided was \$75 and that just applied to individuals, it did not apply to kids and that was phased out on income, a family income of just over \$18,000.

So today, I'm really looking forward to hearing your thoughts on the HST and if you've got any ideas on how we might improve the tax. And it is important, of course, that any discussion we have in change that we contemplate, we have to make sure we understand the context, of course, because as we consider these ideas, we also have to make sure we recognize that we have a commitment under law, a law that we passed, a balanced budget law to get back to balanced budget within the next two years. And of course, we have to make sure we consider the impact of any decisions we make on supporting the increased investments that we're making to help in education and other important social services.

And just a final reminder, at the end of June, as you know we've moved up the date, that Premier Clark moved up the date for the HST referendum from September 22nd to now. At the end of June you will start to receive your ballots on the vote on the HST and you will have up until July 22nd to mail in that vote. So just look for a ballot at the end of June as they start arriving.

My final point, just remember, there's no such thing as a dumb question. They're all good questions so let's get started and I'll get through as many as I can. I thank you again for joining us.

**Moderator:** Thank you Minister and we are looking forward to hearing the questions that the audience have. Remember, if you do want to ask a question, please press star 3 on your keypad. It's as easy as that. Our first caller is [caller], who has a question about the HST in the retail industry. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Great.

**Caller:** So, Minister, my question was around the border line-ups that we frequently see and the impact that the HST has potentially had on our retailers in the province of British Columbia. I know that the HST has gone up on children's clothing and things, and I think it forced a lot of shoppers to the South to shop. And I was just wondering if we have any numbers or what the retailers are feeling with regards to the HST and the shopping in the South now.

**Hon. Kevin Falcon:** Sure and [caller], thank you. So, the first thing I would say is it's important to point out that there's been no change on children's clothing. We've provided an exemption from the provincial portion that would normally apply to children's clothing. So I think it's important to point that out now. There have been some complaints, and they're legitimate, about what are sometimes referred to as kids, or big kids, the adult-sized kids that don't qualify for the clothing because the fact they're larger. And so that's something I do want to acknowledge. But children's clothing, as I say, is exempt from the provincial portion of the HST.

With respect to retailers, it's important to remember when we actually started this process, one of the things we know from a retailer point of view is that retailers used to pay PST in a whole bunch of costs that were passed on to consumers in the form of higher prices. So, for example, their heat, their lighting, their shopping carts, computer equipment, display, all of that would attract a provincial sales tax. Under the HST, those costs are now removed. They get an input tax credit for all of those costs, which allow our retailers and our businesses to be more competitive against some of the competition they face whether in other provinces or other jurisdictions like the United States.

So, I don't want to pretend that HST is a winner for all businesses because certainly you'll probably hear later at some point that, you know, the restaurant industry is impacted and there's some truth to that. But by and large for small business, it does reduce a lot of costs.

**Moderator:** Great. Thank you very much. Our next question is from [caller]. [Caller] has a question about why the HST was introduced in the first place. [Caller], are you there?

**Caller:** Hi, there. I was just wondering why do we even bother getting this thing done. It seems like everything was going okay beforehand, like I could see a difference between, you know, the GST and then the PST and now if everything kind of merged together, you know, I know it's on everything, it's

just – it keeps up perception that there's more tax being charged on everything where it maybe should just be charged on some things

**Hon. Kevin Falcon:** And [caller], I can't tell you the number of times people said to me what the heck were you guys thinking? Why would you even do that? Well, I think you have to roll back the clock a little bit and remember that at a time we made the decision to move forward with the harmonization of our PST and GST, that was at a time when we were in the midst of an international economic meltdown and it hammered British Columbia pretty hard.

At that time I was health minister. And to give you an idea, we saw provincial revenues – just in a 2-month period – we saw almost \$2 billion of provincial revenues evaporate as a result of the international economic meltdown. So, Ontario had already been negotiating for quite some time with the federal government on harmonizing their sales tax into the HST and essentially we got offered a similar deal and part of that deal would include a \$1.6 billion infusion from the federal government to help us transition into the HST. And believe me that was \$1.6 billion that was very helpful in helping us to deliver on the increases that had committed to spending on health care and education and to ensuring we get back to a balanced budget as a result of going into depths during the international economic meltdown.

But the reason why we've generally hesitated in the past on this is because it is tough politics because at the end of the day what you're doing is you're saying to the public, yes, 80 percent of consumer spending doesn't change, it's still the 7 percent PST plus 5 percent GST but you're now adding that additional 7 percent on 20 percent of largely services that used to be exempt. And so, that's the political killer. But the reason why ultimately we decided we were still going to go forward is because we know what makes BC businesses much more competitive with other provinces that also are competitors in the United States and around the world. We know it reduces administrative and compliance cost significantly, and I used to run a small business so I have some familiarity with this. There's nothing more frustrating than dealing with a provincial bureaucracy on PST and a federal bureaucracy on GST, and having to deal with auditing and paper and everything that's associated with both of them. And on balance, it generates additional and stronger economic growth.

So, it doesn't mean that everyone's a winner. I want to be clear about that because some are more impacted than others, but for the most part you will find that most independent analyst will tell you it is overall good for the economy in terms of creating a more efficient economy and allowing us to compete more effectively in selling our goods around the world, and that ultimately generates more jobs and more revenues to government. So, that's a long answer, I realize, but in a nutshell that's why we made the decision to go forward. We did it very poorly, I admit. We still haven't properly explained to the public basic facts about it and I apologize for that. We're going to change that and get information out there. But we do believe it is ultimately the right thing to do for the long-term benefit of the economy.

**Moderator:** Thank you Minister. We have [caller] on the line and [caller] is looking for clarity about the taxes that we're going to be taxed on. So, [caller], are you there?

**Caller:** Yes.

**Moderator:** Great. Please ask your question.

**Caller:** I just, yeah, you know, you mentioned 80% of what we used to pay in GST and PST before, I understand that. But what, you know, how much revenue is the government employing on that other 20 percent that we weren't taxed on before? Then how is that compared to the \$1.6 billion we got from the federal government?

**Hon. Kevin Falcon:** Sure. It's a great question. In fact, today [caller] I would encourage you to go to a website called [www.hstinbc.ca](http://www.hstinbc.ca). And on there, you'll see an independent report that was just released by the independent panel that was appointed to look at the HST versus going back to PST plus GST. And it was a real blue chip panel with people like the former Auditor General of BC on there, along with a professor from SFU – in fact, he's a former NDP MLA ironically enough. And a couple of other very, very good people. But if you look at the report, what they will tell you? And I think it's laid out really well because it's very balanced. It says that 80 percent of consumer spending, you're right, it doesn't change.

I mean it's still, you know, the 7 plus 5 equals 12 and there's no change. On 20 percent of consumer spending, however, there is that additional 7 percent. And what that means is on average, for the average BC family, they're going to see a pay in additional \$350 on average per year as a result of moving into HST world. And I'm glad they said that because it is really important we'd be very upfront with the public about that. So, what that means is that in the future years especially, it generates additional revenues to government - they're significant.

So the other thing the independent panel pointed out is that going back to the PST plus GST is something we can do, it's got some challenges too going back of course because we have to repay that \$1.6 billion. But perhaps more importantly to me as a Finance Minister, we take a big, big hit on future revenues that are generated as a result of HST and they're significant. So, on 2013 for example, the net cost to us as a province is about \$531 million and that grows every year because the HST does over time especially generate more economic activity and attracts more investment, it is more investor friendly, it generally allows our businesses to compete more effectively and it allows them to eliminate a lot of the cost they use to have in their cost structure that was all PST driven. You know, that's the PST I talked about earlier that's on heating, lighting, in shopping carts, computer equipment, etc. All of those costs now get returned back to the small businesses and that allows them to be more economically competitive. So, there are additional costs.

There are additional revenues to government, those growing future years. And part of the reason why we're having these listening exercises is we're saying – look, we recognize there is that additional impact on families. What can we do to improve HST? What I did is, you know – can the public share with us? Should we look at, you know, more rebates? Should we say we should try and return some of that on average \$350 cost back to British Columbians? Those are the kind of things that we're also looking for as part of this listening exercise tonight.

**Moderator:** Thank you Minister. [Caller] is on the line and. with a question around corporations. [Caller], are you there?

**Caller:** Yes. Yes. My question is – I'll try to keep it brief. It's with respect to the accountability with where most of the profit margins lie with large corporations that the taxing is going to happen – will be reflective as who is making the most profit – and not fall on the people on the province where the wages are the lowest?

**Hon. Kevin Falcon:** Thank you.

**Caller:** If we're going to have some accountability there with respect to who is actually going to be contributing the most in terms of dealing with the cost and especially with some of the payouts going to politicians on those getting more benefit packages and payouts with their, you know, with leading companies and that's not consistent across the board?

**Hon. Kevin Falcon:** Okay. I think that's an excellent question. Because first of all it's, I think, the other thing you'll see in the independent panel report that you can go online and have a look at is it will point out that about 15 percent of the lowest income British Columbians actually come out ahead as a result of the HST rebate which is provided back to them.

Generally, if you think about the HST, the best way to think about it is that the more you earn, the more you likely spend and therefore the more you will contribute as a result of HST. That's the simplest way to look at it. But there are some – the reason why we send a lot of it back to 1.1 million British Columbians in the form of low income rebates is because we want to try and ameliorate the impact and, depending on a family income level, it can be significant. So, for example, a single mother with three kids as a result of HST will receive \$920 a year, that's \$230 for her plus her three kids. Honestly, the kids aren't spending money but, you know, that single parent will spend money on behalf of the kids. So, that's \$920. If we go back to the PST, that \$920 also disappears. And under PST, that same mother that was earning, you know, \$25,000 a year would receive exactly a \$75 rebate under, excuse me, would receive no rebate under the PST because it was cut off just over \$18,000 of family income. So, I think those are really important facts for the public and particularly for low income folks to know is that 1.1 million British Columbians today are receiving checks of \$230, you know, per man, woman and child in the families and that goes up to \$20,000 per individuals, \$25,000 for family income and it reduces on a family income and you still get a rebate that reduces by about 4 percent per thousand rate up to almost \$50,000 in family income

**Moderator:** Okay. Thank you Minister. [Caller], if you're on the line, I believe you have a question related to the cost of scrapping the added cost of HST. Are you there?

**Caller:** Yes?

**Moderator:** You bet.

**Caller:** Okay. Yes, Minister. First of all congratulations on doing a good job and talking to me and other people tonight. I really appreciate this opportunity to ask questions.

**Hon. Kevin Falcon:** Go ahead [caller]. Thank you.

**Caller:** My question is, yeah, my question has probably been answered already but we know that some businesses are going to hurt because of the HST just like [caller], you know. We need one but it's going to hurt when we go there. But anyway, Nova Scotia and Ontario have the HST and I'm sure other countries around the world have HST as well. Have you gone and talked to the ministers of Ontario or, especially I find this ironic, to the NDP government of Nova Scotia for suggestions on exemptions?

**Hon. Kevin Falcon:** Well, thank you. I think it's an important question because of this; look, what really frustrates me sometimes is because we did such a poor job in introducing and not explaining this. I think unfortunately we have lost sight of what's happening around the world. So, I'll just take a second on this.

There are 140 countries around the world that use exactly the same kind of tax. They call it a value added tax in many European countries but essentially it's exactly what the HST is. And if we went back to the sales tax that we have, the provincial sales tax, we'd be the first jurisdiction in 35 years that actually went and introduced a sales tax like the PST. The last country actually was, I think, Barbados, in 1975 and they introduced it and got rid of it a year later and the reason is that these kinds of sales taxes like PST are extraordinarily inefficient. Because they hit business especially in every single step of the way through their entire process of making whatever it is they make. So, for example if I'm a wine manufacturer, I'm paying PST on the label, on the bottle, on the corkage, on your equipment, you know, your heating cost, lighting, everything and all of that is ultimately passed along to the consumer. Under an HST all of those costs are now pulled out. They don't have to pay all those costs. That means that they can have lower priced goods to sell, it makes them more competitive and that helps our business community grow, which creates jobs.

Now, having said that, we also have to recognize that it is a legitimate choice for people to say well, "You know what Minister? I hear all that, I still want to go back to the PST." That is an entirely legitimate choice. But [caller], you asked me, you know, what is the cost of that, like what is the involved in doing that? And as I mentioned earlier, the first thing is, we have to repay, back to the federal government, about \$1.6 billion; because under the agreement that we have with the federal government, to harmonize, they provided the \$1.6 billion to transition us into HST. So, it has to be paid back. We try and mitigate that as much, maybe we can pay it off over time but, you know, we'll have to see. But it's still a pretty significant impact.

But the more concerning one is the one I mentioned earlier which is that in 2013 it's a \$531 million net hit to our revenues as a province and in 2014 that grows to \$645 million and it keeps growing as we go on. And my worry as a Finance Minister and a former Health Minister is this: we have an aging population in BC and we generally have a shrinking work force and those are not two things that you want to see taking place because obviously it can create some big challenges. So, I do think it is important that on balance we try to have an efficient tax system that generates the kind of revenues we need to balance our budget and to support important programs like our health care, like our education system and like social services that people care about. So, I spent a little time on this [Caller], I apologize but I do think it was an important question.



**Moderator:** Thanks Minister. [Caller] is on the line and he has a question about used vehicles. [Caller], are you there?

**Caller:** Yes. Can you hear me?

**Moderator:** Please ask your question.

**Caller:** Hello. Can you hear?

**Hon. Kevin Falcon:** I can hear you [caller]. Go ahead.

**Caller:** Okay. I seem to have a bad line here for some reason. Yes, you know, you were elected to represent all of the people. And, you know, all I hear you – and you're doing so much explaining tonight that nobody could make any sense of what you're saying. I believe that.

**Moderator:** [Caller], may I ask for you to ask your questions with the Minister. Okay. I think [caller] – we have lost [caller] so we'll go to [caller]. [Caller] has a question about cost savings being forwarded to consumers. [Caller], are you there?

**Caller:** Yes. I was wondering if you have done any reports about this cost saving businesses are supposed to, are incurring – about them passing that on to consumers, because personally I haven't seen any prices been reduced.

**Hon. Kevin Falcon:** Okay, thank you [caller]. Very good question. And by the way, moderator, if [caller] calls back, let's try and get him back on the line if possible. I feel bad that he was cut off.

So, [caller], just with respect to your question...this, I think this is one of the most challenging things for the public to accept at all and I totally understand the scepticism. So, the independent panel report points out that under the HST there's about \$750 million benefit to the business community, small or large business right across the province. And that goes back to what I talked about where some of those input costs are now gone which helps them to reduce the price of their goods or to be more competitive with other folks.

The issue [caller] that you raised is very legitimate in the sense that a lot of people say, yeah, well, you know what, I'll never see any of those benefits, they'll just keep all the money. I think all of you think about it for a moment and look at what typically happens. You go out every day and shop and you will see that businesses are competing pretty aggressively retailer. Retailers have been competing pretty aggressively for quite a long time in BC. And by the way, retailers always pay the, you know, PST and the GST which is 12 percent and it's still 12 percent under the HST. The difference is now is some of those input costs are removed, which allows them to be more competitive. So, will that result in lower prices? Well, if they don't lower their prices and their neighbour next door does or across the street does, then the public is probably going to start, you know, moving over to where they can get better value.

What I can tell you is that an independent economist would've looked at this, I can give you two examples: One is economist Jonathan Kesselman who looked at the HST in BC and suggested that

businesses have started passing along some of their savings although it's modest and it happens over time. So, it is, you know, it's difficult to say oh, well, you know, here's the example X. But I also can tell you that back east there's a very well regarded economist Michael Smart that looked at the Ontario situation after less than a year of HST being in place there and was able to state that there had been passing along of lower prices as a result of HST.

But look, at the end of the day, it really comes down to whether you believe in a competitive economy that businesses will compete on price. If you don't believe they compete on price, then you just shouldn't accept that there's going to be any benefit. If you do believe they do compete on price, then it's safe to say there will be some benefits but it's difficult to quantify, so I don't want to pretend that it's instant or that it's overnight, it does take some time.

**Moderator:** Thanks Minister. For those of you who joined the call while in progress, welcome to tonight's town hall on the HST. I'd like to ask the Minister to make a few comments again for those of you who may have missed the start of this call. Minister.

**Hon. Kevin Falcon:** Thank you very much and thank you everyone that's joined us on this call. I very much appreciate it. We're having a discussion tonight to listen to British Columbians and try and see if there's a way that we can improve the HST and make it, frankly, more acceptable to British Columbians.

The reason we're doing this is two-fold. Number one, we acknowledge and I acknowledge, the Minister of Finance, that we as a government did a terrible job in introducing the HST and not explaining at all to the public – and I apologize for that. We have to do better and we're trying to, in part through what we're doing here tonight. But we also, as I say, want to try and figure out how we can improve it. And I think it's important to remember when we talked about the HST that, you know, 80 percent of consumer spending is unchanged under the HST. In other words, we're still paying this 7 percent PST plus 5 percent GST for 12 percent.

We acknowledge that under the HST, 20 percent of consumer spending now includes the 7 percent additional PST that used to just have the 5 percent GST. So, there is that additional cost and we want to be upfront about that. Now we would argue of course that we think that additional revenues that are derived from that help us as a government to balance our budget – in increased spending in health and education and some social services people care about. But we also believe that ultimately it is good for the economy because it helps to create a more competitive business climate so that we can have businesses with our growing, hiring people and beating our competitors whether it's other provinces, US states, or around the world.

So, in a nutshell, tonight, it's about listening, it's about hearing your concerns or your suggestions on how we can improve it and I'm really looking forward to getting a whole bunch more questions.

**Moderator:** Thanks Minister. And we're going to be looking forward to go into more questions as well. Again, if you would like to ask a question, just please press star three on your keypad. We're just going to take a moment right now to ask our first of two feedback questions to get your thoughts on the HST.

So, I'll be asking for your preferred answer by pressing a number on your keypad. Please listen carefully to the options. I will read the question and the answers twice.

So, here is the first question: Government's HST revenues increase faster than PST revenues would have because the tax base for HST is broader. If you could only pick one way to use any additional HST revenue, which of these would you choose? There are three options. Increase spending on health care and education, press 2. Reduce British Columbian's tax burden, press 3. Provide additional support to families with children, press 4.

Let me read the question and answer options again. Government's HST revenues increased faster than PST revenues would have because the tax base for HST is broader. If you could only pick one way to use any additional HST revenue, which of these would you choose? There are three options. Increase spending on health care and education, press 2. Reduce British Columbian's tax burden, press 3. Provide additional support to families with children, press 4.

Let's move on now and take a question from our audience again. [Caller] has a question about mitigating the impact of the... [Caller], are you there?

**Caller:** Hello.

**Moderator:** Hello, [Caller]. Are you there? We think we're having problems.

**Caller:** Hello.

**Moderator:** Hello. Oh, there he is. Go ahead [caller]. Hi, [caller]. Do you have a question? Oh, I'm afraid we lost him as well. We'll go over to [caller] and he has a question about bicycles and fitness in the HST. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Great.

**Caller:** Hello.

**Moderator:** Yes. Please ask the question.

**Caller:** Okay. The question I have is on government stressing importance on health and fitness. But with the HST on the prices for, you know, fitness, bicycles, fitness clubs, fitness equipment have gone up. And what are you prepared to do about that? And also, I agree with the HST, of course, the way was introduced but I mean that's another story. But that is my basic question and, oh, what happened to the 30,000 employees that were dealing with PST? Thank you.

**Hon. Kevin Falcon:** Thank you [caller]. So, I'll start with the last point first. We had just over 300 employees that used to manage the provincial sales tax. Most of those employees have moved over to the federal government to help administer the HST federally. So, that alleviates just over \$30 million a year in cost for the BC government – which I really like, by the way, as a Finance Minister I have to say.

With respect to your first point about fitness and bicycles, look, you're absolutely right. I mean this is one of those sorts of pros and cons about the HST. On the pro side, I was a Health Minister. I'm thrilled that it frankly applies to junk food and I don't have a problem with it applying to, you know, fast food and things like that, to be perfectly honest. Because I use to hear from groups all the time that that is the kind of thing that actually will help people make healthier choices. But I was also quite correctly criticized for the fact that it applies to gym memberships and when you buy a bicycle, etc. And that's the trade off when you harmonize a tax because what you're doing is saying the PST is now harmonized with the GST. So, whatever the GST applied to, so does the PST. And that means, you know, for the most part it's fine but – and as I say an 80 percent of consumer spending it doesn't change anything – but on that 20 percent it does pick up gym memberships, for example, and bicycles.

So, what I'll take from your commentary is what I've heard before, which is, “Government why don't you look at a way to rebate some of that back that impacts things like, you know, that encourage fitness whether it's, you know, kids involved in sport activities, they're outside of government delivery systems?” Because, if their government delivered, they're HST exempt. But, you know, private karate classes, et cetera, that may have HST or, you know, buying a bicycle which now has that provincial portion of PST on top of the GST. Those are things that we'll look at to see whether we can – that maybe one way of ameliorating the impact. Thank you for that suggestion.

**Moderator:** Thanks, Minister. We have a question from [caller] about plans for the HST in the next year or two. [Caller], are you there?

**Caller:** Yes, hi.

**Moderator:** Hello.

**Caller:** How are you?

**Moderator:** Hi, [caller]. Please ask your question.

**Caller:** Yeah. I have two quick questions. First, I'd like to, like you said, like I was wondering if you plan to bring down the HST in next year or so? And secondly, my question would be, like you said, like perhaps were introduced in other European countries, but as far as I know those have been included already in the price so it's not added on top of the sale price. So, are you planning to introduce something like that over here?

**Hon. Kevin Falcon:** Sure. It's very good question actually. So, the second the point first. So, what [caller] is saying is that in Europe, although they do have value added taxes and frankly they're much higher for the most part than our HST is in fact, the HST rate of 12 percent, British Columbia is the lowest in the country. Ontario, for example, is 13. In Europe, it's much higher. Now they have included in the pricing, you're right. And frankly from a government point of view, governments love that because nobody actually sees it and I can tell you selfishly, wouldn't it'd be nice if HST wasn't seen by anyone? But, you know, truthfully, we can't do that because I think rightly it's always been in the position of the federal government when they introduced GST in the first place that it should be visible. And it should be visible

because everyone should see it, see what it applies to and then it makes it frankly tougher for government to increase the rate without really being held accountable. So, that's the main reason why that can't, and we can't, unilaterally change that in BC by the way under the agreement with the federal government. So, that is a federally driven policy and I have to say even though selfishly it might help us a bit if it was hidden, I do think that's the right policy.

In terms of the rate as reducing the rate, a 1 percent reduction in the HST cost us about \$850 million in revenue provincially. So, that is an option I've made a note of your comment. But we just, you know, again, we have to – all of these decisions we have to think about in terms of the impacts that they have on, you know, getting us to a balanced budget in supporting important social programs. But I'll take that comment of yours as one of the suggestions in terms of looking at dropping the rate, so thank you.

**Moderator:** Thank you. Our next question is from [caller] and I hope I'm pronouncing that name correctly. [Caller] has a question relating to the restaurant and hospitality industry. [Caller], are you there?

**Caller:** Yes, I am. Thank you.

**Moderator:** All right. Speak up.

**Caller:** Yeah, I heard you. I heard you acknowledge that the restaurant and hospitality industry are hit harder now because they weren't included in the PST. And I have two questions. Why do we have to hit our tourism industry harder? It is an important industry for British Columbia. And if I'm not mistaken, I'm pretty sure I heard Adrian Dix once again that you're stating that instead of scrapping HST, we could maybe make some exemption like for the restaurant industry.

**Hon. Kevin Falcon:** Well, thank you very much for that question [caller]. I think if you think about the great countries of the world, you know, nobody is avoiding Europe, for example London, Paris and other centers around the world that have value added taxes. And I do understand that there's an impact on the restaurant industry. But I have to be honest and tell you that I think some of the – some of the response is a little shrill in terms of saying, you know, the world is coming to an end. It is important to note that when it was introduced in July 2010, if you look at the Stats Canada data, it shows that from June 2010 to January 2011, it's over that 6-month period that overall industry sales in the restaurant sector increased by 3 percent in both BC and all of Canada.

So, that doesn't mean that there are not some impacts, but frankly I think our, you know, increased enforcement of the .05 drinking laws had far more impact, according to all the restaurateurs that I talked to, than has had the HST. But it does have some impact. But, you know, it depends. Remember, when we go to an HST, businesses do have more money to increase investment and operations to hire more employees. They can pass some of the savings that they're not paying any more in terms of their heating, lighting, all other equipment costs, et cetera, that they no longer have to pay PST on. They can pass some of those savings along in the form of lower prices. In the restaurant sector, I get it if they're not making any investment in those kinds of things, there is that additional cost, that additional 7

percent that now applies. But I don't believe that the impact is as great as they suggested it would be, particularly if you look at the Stats Can data.

**Moderator:** Great, thanks Minister. Now we will go to [caller]. And [Caller] has a question about the deficit. [Caller], are you there?

**Caller:** Yes I am.

**Moderator:** Please ask your question,

**Caller:** Yeah, I like to – as a Minister wasn't the – or GST for, to pay off our deficit, but then you guys decided, or the government decided to put it all in one pot? And that's why our deficit is higher than it's ever been since the GST started? Hello?

**Hon. Kevin Falcon:** Well, thanks [caller]. So, the GST of course is the federal tax and ironically, when the GST was first introduced, you will recall how extraordinarily unpopular that was. And it was also replacing a manufacturing sales tax, which is exactly like the PST, and it was a big problem for the competitiveness of our business sector. So when the federal government moved to the GST, you'll recall there was a very significant hue and cry. You don't hear that too much anymore today, in fact the federal government has actually reduced the rate from 7 to 5 percent. And you know, some people have argued they shouldn't have done that because they have less revenues now as a result, to the others who say thank you for doing that. And you know, it reduces the cost on consumers.

I'll let you decide what the right public policy is there. But I do think that there's almost nobody now that would argue that we should go back to the manufacturing sales tax. The GST is far, far more sensible and again as I say, it replicates what 140 countries around the world do. And what we are talking about doing is taking a PST that was introduced in 1949 and saying let's harmonize that with the GST like 140 other countries are doing around the world, and that on balance not everyone is a winner, but on balance strengthens our economy much more as the independent panel reports.

There's, you know, anywhere from 24,000 new jobs to 100,000 depending on which report you want to read but there are additional jobs created that generate additional revenues that help us balance budgets and support programs people care about.

**Moderator:** Thank you, Minister. We have [caller] on the line who has a question relating to the rebate for the low income or at risk British Columbians. [Caller] are you there?

**Caller:** I'm here.

**Moderator:** Please ask your question, [caller]?

**Caller:** Okay, I just want to know why the tax was implemented in the first place when you're paying a portion of the tax to families, for example, where low income has a quarterly rebate. Is this not already allotted for in their personal income tax somehow when they declare that on an annual basis?

**Hon. Kevin Falcon:** Thank you, [caller]. So, under the PST, we did have a rebate, also, and I mentioned this a little bit earlier but many people are joining the call throughout the call. So I don't mind going over it again. It's important. Under the PST, if you were up to 18,750 in family income, you're entitled to a \$75 rebate for adults only, nothing for kids. Under the HST, the rebates are much more generous and we did that because we wanted to make sure that low income or lower income British Columbians were trying ameliorate the impact that additional cost of the HST that might be imposed on them.

We want to try and ameliorate that. So, for example, we now have a credit of \$230 per person that includes, you know, parents, and includes kids – everyone in the family. So, for example, if there's say a single mom with three kids, that single mom with three kids gets \$230 for each of them. That's \$920 dollars a year to help counter whatever additional costs she may have with respect to the HST. And if we go back to the PST system, that \$920 disappears and she, I think, I hope, mentioned and in the beginning of her income would be \$25,000 a year. If we go back to the PST, she gets zero because of course, the PST rebate only applies up to \$18,750, so we did that because we're trying to first of all respect the fact that we know, that going to HST, has some additional cost for most British Columbians, but not all. And we're trying to ameliorate that impact by having an HST rebate which applies to 1.1 million British Columbians.

**Moderator:** Thanks, Minister. We'll go now to [caller], who has a question relating to vitamins, minerals and food. [Caller] are you there?

**Caller:** Yes, I am.

**Moderator:** Please ask your question.

**Caller:** Yes, I'm asking you to consider removing the 7 percent now being charged on vitamins – on food supplements, that is, vitamins, minerals, and herbal supplements, because they're part of my food budget. And I have a second part if you don't mind, Minister. Using the federal tax return figure for income isn't fair. I'm 74 years old and I pay rent on my apartment using interest from income, so my income looks way higher than for those people who owned their own homes whose actual income may be more than my income after rent, if that makes any sense. So, my HST rebate is very low, and I just did do a figuring here. My income is about \$35,000 dollars a year. So, way above. And by the time I paid my rent, that figure is down to less than \$25,000. That's all. Thank you.

**Hon. Kevin Falcon:** Okay, [caller], and thank you very much. And so to your first point. Prescription drugs of course are exempted. I want to make that very clear. It's only the drugs that your doctor prescribes that do not attract any HST at all, but you're right to point out that, you know, vitamins or herbs or any others who have non-prescription drugs do have the HST attached to them. So I have made a note of your comment, [caller], if that's the recommendation I believe you'll be saying please don't make it apply to those things.

Your second point I think is just the general one that, you know, as the moderate income senior, you know, rating \$35,000 a year, you still have some costs. It doesn't really, I want to be clear, it does not apply to rent. Just to make sure we know that. There's no GST or PST or HST that applies to rent, but I



think your point was that it still impacts you and I'll make a note of that. Because part of what we have to be very upfront with the public about is there are additional costs, about \$350 a year for families on average. You know, if they're high income earners, you're probably spending a lot more on restaurant meals and staying in hotels and doing whatever you do. But the fact of the matter is, it averages about \$350 and that's why we're looking for suggestions on how we can try and reduce that impact. And I made a note of your suggestions. So, thank you [caller].

**Moderator:** Thanks, Minister. We are going to go back to some more calls in just a moment. Right now, we'd like to conduct the second of our feedback questions to get your feedback on the HST. So again I'm going to ask for your preferred answer by pressing a number on your keypad. Please listen carefully to the options. I'll read the question and the answer twice.

So, here's the second feedback question for tonight. If British Columbians choose to return to the PST plus GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference which of these would you choose? There are three options. Increase the PST rate, press 2. Raise income taxes and other taxes, press 3. Run larger deficit, press 4.

So let me read the question and the answer options again. If British Columbians choose to return to the PST plus GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose? There are three options. Increase the PST rate, press 2. Raise income taxes and other taxes, press 3 or run larger deficit, press 4. Thanks for taking part in that feedback question.

Next up, [caller] who has a question around cross-border shopping. [Caller], are you there?

**Hon. Kevin Falcon:** Go ahead [caller].

**Caller:** My question is this. I have a family that falls into that category of children that do not fit children's clothing and fitted out clothing. So our clothing budget has gone through the roof. \$350 a year doesn't even begin to cover what our actual cost is. So we've taken to cross-border shopping and I hate it. I really hate not keeping my money in BC to support my economy. But when, I mean, I can't do anything else because our costs are just, you know, too much in BC. So basically now, instead of taking our, you know, once to every three month kind of holiday where we would do it within BC going to Saltspring Island, going to Kamloops and Kelowna, we're going across the border and spending our money there. Our dining out budget is there. Our shopping for kids clothing is there. How can I keep my money in BC? You know, what are you going to do for me? My income is not \$50,000 or less.

**Hon. Kevin Falcon:** No. Very firm question.

**Caller:** For months and money...

**Hon. Kevin Falcon:** And so the recommendation [caller] would certainly be making to me is, look Minister, you need to look at children that aren't eligible for the exemption because they are not child sized and the exemption applied to children's clothing. Some kids are larger and therefore, they will

have to pay that additional 7 percent that is now part of the harmonized tax. So I acknowledge that a friend of mine noted that that's your recommendation.

I do think we had a question about cross-border shopping earlier, you know, retail. And you know, I have to go across the border to get better value and I did point out that for retailers, you know, there has been very little or no change, the 5% GST and the 7% PST applied to originally all their goods, and how it's still 12% under the HST. And it's important to remember if you drive south of the border, and I live in the border community in Surrey. So people driving across, Washington State has a 9 percent sales tax, and actually it applies to a lot more goods and services, including restaurant meals, than does our old PST. So, you don't escape entirely when you go south of the border, but I get your point and so I've made a note of that.

How can we provide exemptions? The final thing I'll say about that though I think it's important to point out under the PST you will recall that we used to have the situation where you went into a store and you can be exempt from PST but you had to sign that piece of paper, you remember that and this used to be the biggest administrative nightmare for small business and for government because they had to keep track of all that. And we would have retailers come say, well the retailer across the way there, they're just accounting everyone. They're cheating, you should audit them, then you have to go and audit them. They have to show all their papers, and it's enormously administratively burdensome. And so that's why the harmonization is a lot simpler in one regard. But I totally respect that for adult sized kids, no questions, parents paying more: I've made note of that. Thank you.

**Moderator:** Our next question from [caller] regarding what happens to the HST is that (??) and she has a question relating to that. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Yes, please go ahead.

**Caller:** Thank you Minister. My question is this: what is the cost of going back to the PST/HST from the HST? How soon will it be practical for the province to return if it is mandated by the general public?

**Hon. Kevin Falcon:** Well, thank you [caller]. So if the HST is turned down... and I really encourage you folks, if you get a moment, to go online at [www.hstnbc.ca](http://www.hstnbc.ca) - there are a couple of things you'll find there. One is there's an online survey that you can provide some input on how you think we can improve the HST and provide some feedback on this call. And the second thing is you'll find an independent panel report that was issued just today. And the independent panel spoke exactly to this issue that you just mentioned, [caller], which is, what is the cost of going back from HST to a GST plus PST system?

In a nutshell, here's what they say. We would have to obviously repay the federal government the \$1.6 billion that they provided to the province of BC to help us transition to the HST. So that's the first thing. But more concerning to me, frankly as Finance Minister are the subsequent years; in other words, next year, the year after, the year after that. The HST is a more efficient tax that generates more economic activity which generates more revenues for the province. The panel pointed out that in 2013 we would

lose net, this is after we, you know, take out the rebates and everything else. We would lose net \$531 million in 2014. That increases to \$645 million and that grows every year. Those are net revenue losses that we as a province suffer as a result of going back to the PST and that is a concern for me because I think that impacts our ability to balance the budget, and that impacts our ability to support healthcare services for seniors and others. And healthcare is not shrinking; it's only growing in terms of provincial expenditures.

So those are some of the costs we have to contemplate [caller] as we think about these things. Having said that, it is a perfectly legitimate choice for people to say, you know what, I still want to go back to the PST. All I'm saying is it's not without cost, but we will manage it and it won't be easy but we'll have to manage it and we'll do that. And I want you to know that we'll do that. But I just think we have to have all the facts in front of us so that we understand what those implications are, both good and bad, and that we can make an important decision.

**Moderator:** Thanks, Minister. [Caller] is on the line and has a question around the income tax relating to the HST. [Caller], are you there?

**Caller:** I'm here.

**Moderator:** Great. Please ask your question.

**Caller:** Okay, Minister Falcon. Hey, I've heard a lot of people talk and cover some of the stuff I was concerned about. Now that 20 percent that you're talking about getting hit with the HST that wasn't before. It appears to be the whole process that we are going for is more of a user-pay structure for the whole province, for the working people. And maybe lowering the income tax and leaving the broad tax base might upset that, but those categories in that 20 percent, in the provincial income tax - from all this big money you have might be a good - under at least the income tax form to the people that keep the receipts and stuff then actually applies this, apply for [a] credit. In order, as opposed, and I think that you again, the middle income earner, again, screwed. So I think we need to have some kind of offset in the lower income or whole bunch of potential rebates covering that 20 percent category that we're paying and we work changes for.

**Hon. Kevin Falcon:** Thank you [caller]. Great question, because again one of the failures I think that we have made is we've had no context around the decision we made to harmonize the PST plus GST. And what I mean by that is since I got elected in 2001, we'd actually reduce the provincial income tax rate by 37 percent in British Columbia. We used to have some of the highest income tax rates in North America back in 1990s. We now have the most competitive personal income tax rates in the country, if you're up to \$119,000 in income. And above that, we are only slightly behind Alberta.

It's also important to point out that those who are earning up to almost \$119,000 in income in British Columbia, and other low income folks pay no provincial income tax in British Columbia, and an additional 325,000 British Columbians are now paying no provincial personal income taxes at all. Those are the changes that we have made over the last 10 years. So I say that, because I did get some important context. The same frankly goes for business taxes. We try to start dropping those rates down

to 2 percent. The small business tax rate, for example, we dropped from 4 1/2 percent down to 2 1/2 percent today and we're dropping that down even further in the years ahead.

So we try to have a competitive business tax regime and a personal income tax regime, and HST is another way of ensuring that overall we have the most competitive possible tax system we can have.

**Moderator:** [Caller] is on the line and I think [caller] had a question relating to publicity and publicizing the HST. [Caller] are you there? Hello. Hi, [caller] are you there?

**Hon. Kevin Falcon:** Go ahead, [caller].

**Moderator:** I think we seem to have lost [caller]. We will move to [caller], who has a question on the HST and inflation. [Caller] are you there?

**Caller:** Yes, I am.

**Moderator:** Please ask your question. Hello, ask your question.

**Caller:** Yes, thank you for having me on. I would like to ask if you are aware that the HST for BC idea came from the secret Bilderberg meeting in Spain, which Gordon Campbell attended some time ago.

**Hon. Kevin Falcon:** [Caller], no, because actually it's not true frankly. The Bilderberg is a group of leaders in industry and politics that gather, I think it's annually, around the world. The premier received an invitation to attend that. That is a very, very good social networking opportunity to promote, frankly, the fact that BC has the most competitive business tax regime in North America and some of the lowest personal income tax rates in the country of Canada. And, but certainly that was not where the HST came from, with the greatest respect.

The HST, again, you know, the Atlantic Provinces have already harmonized tax to HST. They did that in the 90s. Ontario was moving and when the largest economy in the country, Ontario, is harmonizing out of their inefficient sales tax into a harmonized sales tax, I can tell you in British Columbia we have to pay attention. Because our businesses compete directly with Ontario in particular and if they move in to a much more competitive tax regime and we just sit in the sidelines, which has real impact.

Now, I'm happy to accept that legitimate, honest people can have an honest debate about whether it's a good or a bad change, and I'm okay with that. But I really believe that, on balance, it is absolutely the right public policy for British Columbia. Even though I absolutely point out that for the average family they do end up paying more, about \$350 a year more by the way. But the reason we're having this conversation, this listening exercise, is we're looking to see how we can improve it and ameliorate or reduce that impact, and that's what we're open to hearing.

**Moderator:** Thanks, Minister. We have [caller] on the line. And [caller] had the question about manufacturing and the HST. [Caller], are you there?

**Caller:** Yeah, thanks, Minister Falcon. I'm not a big fan of the PST myself in particular. I know that most manufacturing industries really don't like it because, you know – as somebody was talking about how

you pay the tax on a bottle of wine and that guy pays the taxes on the bottles and on the grapes and on the paper. And you know that paper is manufactured, they paid fifty on the logs and, you know, when they log it, they paid PST on gasoline and the oil for the trucks and the trucks themselves. So you know, you get this stack of taxes.

So I can see why any manufacturing economy would hate a PST and would prefer a GST where everything is taxed exactly once. My question is... you look at it from the point of view of our economy. We're not a manufacturing economy and I'm wondering how much it's going to benefit us. And on the flipside, if you're looking to improve it, it seems to me the number one thing that would sell me on it is let's never borrow money. So, what are your thoughts Minister?

**Hon. Kevin Falcon:** Well, thank you. And look, those are all really good comments, you know, and there are a couple of things I would say.

First of all, you're absolutely right. The logging is a really good example because of course under PST our logging industry pays on the supplies and all their trucks or equipment. It is extremely punishing in terms of their ability to compete with competitors around the world. So, there's a significant benefit to a lot of sectors, construction industry, the logging industry the mining industry which are still important parts of our economy. But you're also right in pointing out that we are increasingly moving to a service economy, and again, I believe it's a very strong argument why you want a harmonized sales tax as supposed to the provincial sales tax.

The PST when it was introduced in 1949, you know, made some sense. We were largely a manufacturing economy. But today, we are increasingly selling our knowledge and that kind of service sector continues to grow and the HST applies right across the board. So it does generate. It's a more efficient tax. It strips out a lot of cost for small business and big business right across the board. And I think it's there, a lot of people say to me, well, Minister I don't know. Frankly I don't care. I don't care. I don't want big business getting that break or any business getting that break for that matter. That's a legitimate point of view.

But the thing I would argue is that you know we saw what happened when we have a hostile attitude towards business: they can move. Business can go anywhere, they don't have to be in BC and a lot of businesses move with their feet. They'll move. They'll go to a different jurisdiction and one thing I don't want to see BC become have-not province again. That's what happened in the 1990s when the economy was, you know – we chased a lot of business out of the province. BC is now seen as one of the best places to start and open a business. It doesn't mean it's a perfect place but I think the HST helps us become a more efficient economy. It helps us encourage investment. The investment ultimately starts businesses. Those businesses that can expand, hire more people, they spend more. That generates more revenues to government and frankly that helps us support, you know, health care and social services and all the other things that people talk about. Thank you [caller]. It's a really good point.

**Moderator:** Thanks, Minister. [Caller] had the question about keeping tax revenue here in BC. [Caller], are you there?

**Caller:** Yes, I am. Thank you for taking my call. I've actually got a couple of question. First up, I'm curious, how many people are on the line listening to this? Because I find it very fascinating and I appreciate you're taking our phone call. It's very good on you, and my question is – I heard on CFox Radio in Vancouver that 41 percent of our income is going towards taxes right now. We pay more in tax than we do for food, clothing, and shelter combined. You talked about the rebates that 1.1 million British Columbians are getting. However the average family in BC is going to be paying \$350 more in HST because of this new tax. On top of that is the carbon tax which goes to the general revenue. We're literally taxed (??). Is all this money going to (??). How can we keep it here in British Columbia to pay down our deficit and not theirs?

**Hon. Kevin Falcon:** Sure, so couple of things [caller]. First of all, with respect of the carbon tax; you know, every dollar we get in the carbon tax goes right back out the door to personal income tax reduction and business tax reduction. That was the commitment and ironically we're actually losing to the tune of about \$760 million over the last two years, if memory serves me correct. But my point is we're actually you know, we estimated wrong, frankly. We're giving more back to the public than we're actually generating in carbon tax revenue. So I just have to make that point but I think your overall point is a really, really important one.

I would really encourage you – our budget 2011 if you go online or actually, I'll do that [caller]. If you e-mail me at hstinbc.ca, mail me and ask me for and I'm going to send you the back of our budget 2011 appendix A3. It actually shows a summary of how British Columbia ranks in different income spheres. So everything from the sort of senior earning \$30,000, to a family of four earning \$60,000, to you know, a family earning \$90,000 – all the different income levels. And it compares us with the other provinces and that includes not just income taxes but it includes HST premiums. It includes carbon taxes. It includes, you know, fuel taxes, everything. And it loads it all in and says where British Columbians rank compared to the other provinces. And what you will see is that we are second from the bottom. Alberta slightly edges us out, but that kind of depends on what income band you're in. But British Columbians are actually second near the bottom, and I think it's important to point out.

As I said earlier, since I got elected in 2001 we dropped personal income taxes by 37 percent. We got 325,000 more British Columbians who pay no provincial tax whatsoever. If you're up to almost \$19,000 you paid zero provincial income tax in British Columbia, and we tried to move to where we have a more competitive regime. That's why the HST is frustrating frankly for me a little bit because people feel you're hammering us with this taxes and everyone forgets some of the other changes. But I want to be upfront about the fact that yes, it has additional cost. It's about an average of \$350 for the average family, about \$350 more under HST, but that's where we're listening tonight. We're trying to look at ways we can improve it and reduce or eliminate that impact on families.

**Moderator:** Great. Thanks, Minister. We had another call now from [caller] who has a question about the HST as it relates to seniors. [Caller] are you there?

**Caller:** Yup.

**Moderator:** Yes, please go ahead.



**Caller:** Yeah, my question is actually in regards to seniors like myself. If we received a rebate of about \$230 and yet the average increase is about \$350, how does that seem fair? Someone else was saying that she hasn't seen any prices go down from corporations passing on that savings. But I realize prices are affected by a lot more complex economic issues. But a senior like myself on a fixed income, we are still worse off. How can you justify that? How do you propose to help people in my situation?

**Hon. Kevin Falcon:** Thank you, and that's really an important question. So the \$350 I mentioned is for an average family: the additional cost is going to be an average of \$350, but it depends like for high income earners, they're going to be paying a lot more. For a low income senior like yourself earning, I think you said, \$20,000 dollars, you're probably not spending quite as much. It totally depends on what you spend.

So, the reason we came out with that rebate was to try and enumerate that impact. So, you know, I don't know exactly what you're spending your dollars on, but we do know that for 80 percent of consumer spending there's effectively no change. But we do recognize that for some things, for example, when you get a haircut, yes, you will be paying an additional 7 percent on top of the GST of 5 percent that used to pay. I don't know if you dine out very often but if you do, yes, you will be paying an additional 7 percent on top of the 5 percent GST. Now, that's why, you know, we provide the rebate.

To give you an idea, for every hundred dollars in rebates we provide, you have to spend about, I believe, as memory serves me correct, about \$1300 of spending. So \$230 covers a pretty significant amount of additional spending. I don't know your case, you may still pay some additional, and that's very possible, but I think the key thing I want folks to remember is that we have an aging population in British Columbia. Our health care budget has doubled since I got elected in 2001, when we were spending just over \$8 billion; we're now spending \$16 billion. It consumes about 43 percent of our total budget and we have to think about the future. Because with an aging population, we're going to be using a lot more health services and we better make sure we have a tax system that generates the kind of revenues that we need that grows the economy, that creates more jobs that will generate more revenue for government so that we can afford to spend more and support our seniors, and support those that need health care and increased education spending, etc.

It's always a difficult balance but I made a note [caller] of your comment because I think at the end of the day you're saying, can you really do more to alleviate or look at the impact on the seniors and see whether you can make sure you'll alleviate that? And I've made note of that. Thank you.

**Moderator:** Minister we are moving into the final 10 minutes of this call. An earlier caller asked how many people we have in on the line tonight, and we have a total of 38,000 participants on this call.

We're going to take two more questions but please remember to stay on the line until the end and you will have a chance to leave your comments in a recorded message. Another thing to leave you with, don't hesitate to visit our website where you can fill in a survey questionnaire, and that's at [www.hstinbc.com](http://www.hstinbc.com). So we'll go to our next caller [caller]. You have a question about a competitive economy in the HST. [Caller] are you there?

**Caller:** Yes, I am. Thank you.



**Moderator:** Please go ahead.

**Caller:** All right. A couple of comments. I've taken notes over the course of the hour. I've been on the phone tonight. You are talking about the balanced budget law. And that was not our choice that was yours. The HST - as part of the election platform - was not addressed prior to the election. Now, the idea that I have is if you were to lower the HST to 10 percent, you'll probably have more, shall we say, agreement to it. But my question is how are we more competitive if we have more tax and with the \$1.6 billion grant – what's in it for them?

**Hon. Kevin Falcon:** Sure, thank you. Those are all really good points. So the \$1.6 billion that was provided by the federal government, what's in it for the federal government? The federal government, not just this one, but previous federal governments have been trying to get the provinces to harmonize since the GST was brought in. And as I see, most of the country now has harmonized. Ontario is the most significant.

The reason is very simple. A harmonized sales tax is much more efficient for the economy and for encouraging investment and jobs. The reason is that it strips out a lot of inefficient cost that was imposed on business that makes it more difficult for our small businesses or big businesses to compete against other provinces, US states, and others around the world. In a nutshell, that's why they do it. There's a reason why 140 countries around the world have harmonized sales taxes or they sometime called them value added taxes, it's the same thing. And there's a reason why nobody has gone down the path of introducing the kind of sales tax we had with the PST, they haven't done that anywhere in the world in 35 years. And as I mentioned earlier in the call, Barbados was the last place that introduced the PST-like tax and that was in 1975, and they got rid of it a year later. So that's the main reason.

Your point about the balanced budget law – and we introduced it, that's very true. We as a government introduced that law right after I get elected in 2001 – because we just came out of the decade in the 1990s where we had 8 out of 10 years which had deficit budgets. And that's just essentially spending money on programs today and sending the bills to our kids to pay tomorrow, and that's not right. So we put in balanced budget legislation that says the government has to live within its means. And when we don't or when we had the international economic meltdown and we were pushed into a deficit, all cabinet ministers including myself took an immediate 10 percent pay cut because that was part of the discipline around balanced budget legislation, and we don't get that 10 percent pay cut back until we get back to balance. We jokingly called it the spousal accountability act.

So look [caller], dropping it down to 10 percent – I made a note to that. I think you have to note that for each percentage point reduction in HST, which means about \$850 million of less revenue to the province. And so we just have to keep that in mind, not just in the sense of balancing the books but also in terms of wanting to fund health care, education, etc. I'm not saying it's not something we couldn't do. We clearly can do it but we have to manage that within a physical framework. So I made a note of that. It's a good suggestion and I appreciate your call.

**Moderator:** Now go to [caller] who has the question about the HST and the underground economy. [Caller] are you there?

**Caller:** Yes, I am.

**Moderator:** Yes, please ask your question.

**Caller:** First, Minister, I just want to compliment you on the meeting today. This is very informative. I have been a contractor in Vancouver for the last 20 years in an industry where it's very labour intensive, so effectively the 7 percent increase is going to the HST has been passed on to my consumer almost fully. With that said, we have found that so many of our consumers have move into a cash system or underground economy, and it really has affected the honest businessmen like myself who have probably lost hundreds or thousands of dollars over the last year in revenue, and it is sort of rewarding the guy who is willing to do cash business. I'm just wondering, if you look into the effects of that and the government cutters in terms of reducing the HST 1 percent, equalling \$850 million, how much more revenue would be generated if this economy has been created?

**Hon. Kevin Falcon:** Fair enough and that is an entirely legitimate point and there's some truth to it. I don't want to deny that. The fact is that there will be some folks that will try and take advantage of moving to the underground economy and not declaring, or trying to pay in cash, to get around it. And they commend you for trying to be an honest person out there in an environment that frankly, even before HST, there was a lot of going around Revenue Canada.

Look, I can tell you that the CRA or Revenue Canada and provincial officials work together all the time to get that kind of feedback and makes sure that they're focusing attention on areas where there is the greatest likelihood of that taking place. And I don't want to pretend that HST has made it better. It has not. There will be some additional impact there. I can't honestly quantify it for you but it's one of the reasons why we're doing this listening exercise and I've made a note of that, and it's why we want to try and look at fixes or improvements to the HST that will help minimize that kind of activity. I thank you for that call.

**Moderator:** Thanks, Minister. Reminder at the end of this call, you will have a chance to leave your comments in a recorded message. Minister, I'd like to ask you to say a few words of summary before we say good night.

**Hon. Kevin Falcon:** Okay. Well, thank you very much. I'd really appreciated this. The fact that we had over 38,000 participants on this call has been great. It follows up on one I did in Surrey when we had almost 30,000 people. This is just an exceptional way for us to get some feedback from the public and I really appreciate you folks taking whatever amount of time you have taken to listen and to provide some questions.

I do want to emphasize that you can go online if you didn't get a chance to ask me the question, or if you want to provide some feedback or take the survey that will help inform us on how we can improve the HST, to please go to the website [www.hstnbc.ca](http://www.hstnbc.ca) because that information will really, really be helpful.

And again, I just want to conclude by saying I'm really humbled by the attendance. I appreciate the input very much. And it's been informative for me and I look forward to trying on behalf and with my

## Check Against Delivery

colleagues and our Premier Christy Clark to try and get it right, to try and make changes to improve the HST and make it acceptable as possible to the majority of the population. Thank you so very much.

**Moderator:** Thank you, Minister. And thank you again to everyone who participated on this call. Just a reminder, if you stay on the line you will be able to leave a recorded message with your thoughts on the HST. Now, I'd like to formally close this town hall. Good night.

## MAY 12, 2011 – VANCOUVER TELEPHONE TOWN HALL

Host: Minister of Finance, the Honourable Kevin Falcon

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
188,287	52,939	38,958	14	74%	245	21

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the last of eleven regional town halls conducted by Government with British Columbians.

Minister Falcon responded to 21 questions and/or comments during this call. Issues that arose from citizens of Vancouver included the following:

- Concern about taxes to be created if HST is defeated; concern about high amount of taxation; benefits of income tax vs. service tax;
- Reduce HST; incrementally reduce HST; VAT lower in other countries;
- Exemptions for full-time students, young people; gym memberships/athletic fees; children's activities, books, school supplies, shoes; death/funeral costs; restaurant meals; leaky condo repairs; used vehicles, Registered Massage Therapy;.
- Complications of claiming the input tax credit.

### Questions/Comments to Minister

*"Many retail people seem to be using the HST as an excuse to jack their prices up unnecessarily high. Does the government have anything in mind to monitor the situation?"*

*"Why is the service tax preferred over an income tax to raise government income?"*

*"I've noticed restaurants...are suffering, not only because of HST but with the alcohol rules that have come in to play."*

*"I have a young family trying to start out and buy a house, and now...having HST; it really puts me out of reach for being able to purchase a house in Vancouver."*

*"The only way you'll get me to vote yes on the referendum in favour of the HST is if I know the whole story of what exemptions are to HST; I haven't been able to find it so far. I just need a list."*

### Stats to come from Campaign Research on question types

## VANCOUVER TELEPHONE TOWN HALL SUMMARY

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**May 12, 2011 Transcript: Vancouver Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST town hall with BC's Finance Minister, the Honourable Kevin Falcon. My name is Alison and I'll be the moderator for the town hall this evening.

Before we begin, I'd like to say a few words about how this town hall will proceed. The minister will have some short introductory comments and then we will proceed with a live question and answer period. A word about privacy: this call is being recorded and will be transcribed and posted on our website. So if you do not want your ideas, comments or opinions to be part of the transcript, I recommend that you remain in listening mode.

So that we can include as many of your questions and comments as possible on this call, please keep them short and to the point. If you wish to ask a question during the town hall, please press star 3 on your key pad and you can start doing that now. That's star 3 on your keypad. You will be connected to an operator. For your privacy, please use only your first name when speaking to the operator.

We want to hear a wide variety of views and questions from the audience tonight. The operator will make sure that we reduce duplication of comments. When you hear me announce your name, your line will be open and you can ask the minister your question. After you've asked your question, your line will be muted so the minister can respond. You will be placed back in listening mode. Please note there will only be questions and answers during this town hall. We won't have time for follow up questions. I ask also that you use polite language on this call. Anyone using bad language or swearing will be cut off.

Later in the call, you'll be able to provide your feedback on the HST directly to government by answering a couple of multiple choice questions. These questions are not scientific but they provide an opportunity to engage you on some important questions about the HST in BC. Thank you for your patience everyone. We will do our best. We may not get to everyone who has a question or comment for the minister tonight. However, if you stay on the line until the end of the town hall, you will have a chance to leave your comment in a recorded message. Again, if you would like to ask a question, please you can now press star 3 on your keypad. I'm going to turn this call over now to Minister Falcon.

**Minister Falcon:** Thank you and good evening everyone and thank you very much for joining me on tonight's town hall meeting. We're one of the first governments that have actually utilized this technology and I have to say that it's been extraordinary. We've had some 200,000 British Columbian join us on the respective town halls that we've been hosting over the last couple of weeks. So I very much appreciate you all took the time to join me and it's a great opportunity for me to hear directly from you and listen to what you have to say about what I think is a very important issue facing all of us.

First, I want to be very clear in acknowledging that we as a government did an absolutely terrible job in introducing HST and not explaining any of it to the public at all. I apologized for that. We take responsibility for it and it's one of the reasons why I'm on the call tonight. It's a way of making sure that you've got the information you need to make an informed decision on whether we remain paying the HST or go back to the 2 tax system of the PST plus the GST.

But it's also to listen on how we might improve the HST and generate increased support for what at the end of the day I really do believe is good sound tax policy. So just to recap on HST, it is important to remember, 80% of consumers' spending remains unchanged under the HST. 20% of consumer spending now includes the additional 7% PST. So when we harmonize the 5% GST with the 7% PST. That's where the 12% comes from. But it's important to point out that although it doesn't change for 80% of consumer spending. There's no effect of difference there is on 20% and that's why you will hear about restaurant meals or getting haircuts or what have you and I want to be very upfront about that.

I also want to say that there are some benefits to the harmonizing of those 2 taxes. The key one as far as we're concerned is that there's a significant improvement in our province's competitiveness. In other words, from a provincial point of view, not only do we no longer need 300 tax auditors in the Province of British Columbia to handle all the paperwork and the auditing associated with the separate provincial sales tax system that's gone in a positive \$35,000,000. So we see those cut not having it. But we also relieve the small business community of about \$150 million a year. The complaint is associated with doing the paperwork and dealing with auditors on the PST and also on the GST.

It's also important to know that today as a result of HST, there are 1.1 million low income British Columbian who are now receiving an HST credit. This is the provincial credit that we're providing of \$230 per individual including children with family income up to \$25,000. Under the PST, it's important to note that those same families would only receive a maximum of \$75 rebate credit in their income tax and that was only for adults. So nothing for the kids, just \$75 rebate for adult, nothing for children and that credit was phased out at just over \$18,000 of income, family income.

So tonight I want to hear about your thoughts on HST and any ideas you may have on improving it. And the only thing I would ask is just that to have folks think about the fact that everything we do of course is a trade off. So if we're going to make recommendations, one of the things that I have to, as Finance Minister, try to make sure we balance that against the requirement to have a balanced budget under our own balanced budget legislation. So we want to keep an eye on our deficit issue. But we also want to make sure we think about the spending requirements for health care, education and some of the other social programs people talk about. That's not to say, the issue of bringing forward ideas. That's why we're here. We want to hear them. How do we improve it?

The final thing I'll say is at the end of June, you're going to be able to vote on whether we keep the HST or go back to the PST plus GST. And that information will be mailed out to you by Elections BC but just know that you've got up until July the 22nd to make sure you return that ballot and get your vote in. Final point is there is no such thing, in my view, as a stupid question. So don't feel intimidated or shy. Go ahead now, ask whatever you want and I'll do my very best to answer it. Thank you so much for joining us.

**Moderator:** Thank you very much, Minister. That's Mr. Kevin Falcon, the Finance Minister for British Columbia and we can go straight to the phone lines. We got quite a few questions lined up already. [Caller] has a question about exemption. Go ahead, [caller], please.



**Caller:** Yes, my question is, maybe you should expand the concept of exemptions to such things as full time students. You've done it for low income people, but maybe you should expand that concept. That might make the HST a little more popular.

**Minister Falcon:** Thank you, [caller]. So if I understand the question correctly... tuition is exempted. So there's no HST on tuition. If the issue is, are the students getting rebates, the answer is yes. Most students typically fall into the low income category. So virtually, all of them are receiving the \$230 a year of HST benefit. So, thank you for the question, [caller].

**Moderator:** A reminder to everybody. If you would like to ask a question of the Finance Minister, then please press star 3 on your keypad. Let's go now to [caller] who has a question about taxes in general, number of taxes. Go ahead, [caller].

**Caller:** Hi, Kevin.

**Minister Falcon:** Go ahead, [caller].

**Caller:** I'm just wondering...all these taxes is really for a better word, taxing. I'm just wondering about the young people that are coming up today, how are they going to survive?

**Minister Falcon:** Very good question.

**Caller:** Too much, my dear. Come on, the carbon tax, for one.

**Minister Falcon:** So, [caller], that's a very good question. So, first of all with the carbon tax remember that the carbon tax is revenue neutral to government. We actually lose money in the carbon tax. So every dollar that comes in we send back out in the form of personal income tax reduction and small business tax reduction. So it's just important to keep that in mind in the current fiscal plan, the 3 year fiscal plan, we're probably sending out more than we're taking in on the carbon tax to the tune of about \$760,000,000. So that was because we underestimated how much revenue comes from.

But you're other; the first point of your question is valid. I hear it all the time. People say, look, I'm paying an MSP. I'm paying on HST. I'm paying on all these different things. And government you need to understand the impact that that's having. This is a particularly closer into my heart because I ran throughout this in 2001 tax review with these kinds of things. We have the highest personal income tax-rate, the marginal income tax rate in British Columbia was the highest in North America when I first got elected in 2001. We have reduced the personal income tax rate in British Columbia by 37%. We've taken the general business rate from 16.5% down to 10% and the small business rate. We've effectively reduced by over 50%. So I think we started getting our tax position in a fairly, fairly good place.

One of the things that I would like you to do, if you can, is to Google online. You can look at our 2011 budget and then the back of that budget in appendix 8-3, you will see that there's a sheet that lays out typical families like it's got examples like a seniors couple earning \$30,000, a family of 4 and then \$60,000 got different sort of typical family situation and it does a comparison with all the taxes included. So, MSP premiums, HST, property taxes. It just lumps in all the taxes that we typically pay and it

compares us to how we rank with the other provinces and what I can tell you if you go to that appendix 8-3 of the budget 2011 or call my office and I'll send it to you either electronically or fax it to you. What it shows is that British Columbia is the second lowest over all tax jurisdictions in the country and Alberta just slightly lower. So, that doesn't mean we're in perfect shape. And I still know it is tough for families and it's one of the reasons why we're saying with respect to the HST how can we improve it to benefit families? But thank you for what I think is actually a pretty important question, [caller].

**Moderator:** And thank you very much. Remember; press star 3 on your keypad if you would like to ask the Minister a question. Let's go now to [caller] who has a question about what happens if the HST doesn't go through. [Caller].

**Caller:** Hi, I'm just wondering what sort of other tax will be dreamed up if the HST doesn't go through. And you know another thing that I'm concerned about is the... actually we're paying a whole bunch of other hidden taxes that we don't even hear about. You know when stuff comes over the border we're taxed automatically, you know ... cigarette taxes, I don't smoke by the way. But there's a lot of talk here that the gas tax and everything. I mean, we're just, we're just being blind-sided with taxes everywhere you look.

**Minister Falcon:** Thanks, [caller]. So, a couple of things... Your last point first. First of all, gas taxes are - HST makes absolutely no difference in gas taxes. So we made a conscious decision to exempt gas taxes from the provincial portion of the HST so there have been no change whatsoever.

With respective border, there's been no change there either, [caller]. So that if you cross the border and you purchase goods down there and you declare them, you're required to pay a tax at the border and that has not changed. In fact, [caller], interestingly the other night when I was doing another electronic town hall one of the questions was, all my retail spending taxes have gone up and so on. Now, we're going over to Washington State to do cross border shopping because I'm trying to save money for my family and one of the things I pointed out, [caller], and I live by the way in a border community in Surrey - and I'm right next to highway 15 which goes down to that, one of the busiest border crossings in the country, the 4th busiest - and one of the things I pointed out is that retail spending and sales, nothing has changed. It used to be 7% PST and 5% GST on you know clothing and on electronic goods and all those kind of thing. And it's still 12% under the HST. So I said to the caller, if you're going across the border for that reason, also know that in Washington State they have a 9.5% sales tax that also covers nails and everything else. So I just think folks should know that the savings that you may think you're getting, if you're making the decision on the basis of HST is probably not a sound decision. If they just think they can get better prices there, that's a different decision and I wouldn't make an argument about that.

But you know, [caller] on the overall tax question again, that's why I suggested that the folks want, I'm happy to send it to him or if they can go online and look at our budget 2011, appendix 8-3, it does lay out all of those sort of hidden, non hidden taxes on a typical family and it lays out different scenarios depending on what your income may be. And you will see compared to other provinces with respect to that. So thank you for that.

**Moderator:** Let's go now to [caller], who has a question about further reductions or exemptions. Go ahead, [caller].

**Caller:** Hello.

**Moderator, Minister Falcon:** Go ahead, [caller].

**Caller:** Hi, there. Thank you for putting through my call. I have just a couple of quick questions in regards to health care. I just note in that stuff like gym membership fees, athletic fees, ballet, karate stuff for the kids is all going up to 13% as well as death and funeral costs. It's stuff like that to make the Province healthier. Do you think you might consider withdrawing?

**Minister Falcon:** Oh, thank you, [caller]. So you're right about that. First of all, the distinction I would make is that if it's a publicly delivered service or if it's in a public facility or public delivered by some government agency or something, then it is HST exempt. But you're absolutely right to point out that if you're sending your kid to private karate classes or if you're getting a gym membership, you are paying the additional 7% portion now because of the harmonization of the PST and GST and I have to tell you that from a health conscious man, this is one did. It did trouble me a bit because I was always bothered by the idea that you know, we're basically taking some of those things. You're trying to encourage people to do and we're having an additional cost put on top of that. And there's just no doubt that that is true.

But, [caller], it's one of the reasons why we're doing this listening exercise because we're looking at how do we immediately rate or minimize the impact particularly on families. We've got a premier, Christie Clark, who has made it very clear that our focus is going to be on families first. We want to make sure that we do whatever we can to try and relieve the burden on families. I've made note of your suggestions, [caller], and I appreciate you for giving them.

I should say, by the way, I must apologize to the last caller. He actually asked a question I didn't answer. I answered 2 of his questions; I missed the 3rd point which had to do with what are the costs of going back to PST plus GST. If I could encourage folks - you probably heard about an independent panel report that was done - you can visit a website that's called the HST in BC dot ca, and there's a copy of the independent panel report. It's received a lot of coverage because I think virtually everyone has said that it was independent and it pointed out the facts good and bad about HST. And the title says it all. It's your decision. So it's saying to people look here is what we, the independent panel, say. You go ahead and make up your mind.

One of the things the independent panel pointed out is the impact of government going back to the PST plus GST system. There are some significant fiscal impacts as a result of doing that. Now, what you normally hear about it is to talk about we have to repay the Federal Government 1.6 billion and that has to do with transition dollars that the Federal Government provided the province of British Columbia to ease us into harmonization. So those have to be repaid. But in addition, they pointed out that over a 2-year period the additional revenue loss to government is also another roughly 1.2 billion dollars. So just in a 2 year period, we're looking at almost 3 billion dollars fiscal hit.

Now, having said that, I want to be clear that does not mean that going back to PST plus GST is not a legitimate option. It is just pointing out that there are challenges. There are challenges on both sides and that's one of the challenges that I forgot to mention to [caller]'s questions. So thank you for letting me take a bit more time now.

**Moderator:** Thank you, Minister. And let's go now to [caller] on the line asking about the cost of retail. [Caller], go ahead.

**Caller:** Hello, Kevin. I've got another couple of questions since I talked to your assistant. Taxes are just killing us. I recently paid what should have been an airfare of \$208. It became \$332 in change with the taxes. Personally, I'm all for simplifying and having it all in one peg. However, seems to me that when we had PST and several tax things were more open, it was very...we were all aware that there was no PST on certain things. Now, my biggest problem with the HST recently is many retail people seem to be using the HST as an excuse to jack their prices up unnecessarily high. And I know this is happening because as soon as this tax came in to play, I saw the prices go up, soar more than the actual percentage of HST and more than cost of living. And when I would point this out, I was informed that the merchant or rather the business was having to pay HST and other costs to them, you know, services. And I've even been given this kind of spin around by my own building manager.

I know a lot of people are very angry about their cost of living being increased even higher than necessary by the HST. So my question is, does the government have anything in mind about monitoring the situation by informing businesses that they're going to be watched for this kind of thing?

**Minister Falcon:** Thank you, [caller]. I will try to keep my answer short. This is a really good question. But it's not an also an easy question so I'm going to have to take a couple of minutes and I ask folks for their understanding here. Because I think, [caller], you raised an important point.

First of all, with an airplane ticket, you should know that every time I buy a ticket, I see that - doing it drives me crazy. Most of that are federal levies. There is HST on there but there's a huge ton of other levies that are mostly have nothing to do with the province but nevertheless they do a cost. With respect to retailers, so again, what happens if you read the independent report, what it will tell you is that there is about a \$750,000,000 benefit to the business communities, small businesses, large businesses. And here's what the benefit is and here's why we harmonize. Because when the original PST was introduced - it's referred to as a retail sales tax - that's what it is - and when it was brought in 1949, that was back in the day when you know we were largely a goods manufacturing society and so goods had a retail sales tax called the PST applied to that.

Now what you need to know is when the GST was brought in, it went through the same firestorm that we're going through over the HST because the GST replaced a former sales tax called the Manufacturing Sales Tax. And the reason why the Federal Government in the 1990's got rid of that and replaced it with the GST was they were mirroring what was happening all around the world. One hundred-forty jurisdictions have all switched over to harmonized sales taxes or what they sometimes call value-added

taxes. And why is that? Because what happens is that under a manufacturing sales tax or under a retail sales tax like the PST, you are paying an invisible PST because all of the businesses whether it's a small retail shop or a large business, all have these PST costs that they're paying that are passed along to you. That's why it's called the invisible PST. You probably pay it at the end like when you're going to a retail store and you buy your, you know, shirt or your pants or whatever. You're still paying 12% under HST like you were under PST GST. But the difference is that you're also paying the invisible PST that they are paying on heating light computer equipment vehicles a whole bunch of input costs that they have. And believe me; I think most people would agree that when business is being loaded up with those costs, they generally pass them along.

So if you accept that that's generally what happens, they don't eat all those costs themselves, they pass them along, the reverse is also true, at least theoretically. That if they now receive a benefit as they do under the harmonized sales tax what happens is all of those costs are now stripped out. They get them all back. They get input tax credits on every dollar of GST and PST that they pay under a harmonized sales tax and what that means is that their costs are reduced. And when their costs are reduced they get more savings through to the customers.

Now if they don't and you know not everyone has to, but generally speaking, in a competitive market environment, if one business says, you know what, I'm just going to keep all that. I'm not going to send any of those benefits to my customers and their neighbouring businesses, well, I'm going to pass those savings along to customers in the form of lower prices, then they're probably going to be hurt in the market place generally speaking. Now, you know, it's legitimate to have scepticism, but all I can tell you is that the independent analyst that have looked at this; Michael Smart back east was a well respected economist who looked at what happened in Ontario with their HST and he said that within 6 months, they were able to track that most businesses were passing along some of those savings...it may not be in the form of price reduction. It may be but it may not be. It could also be in the form of increases not being as high as they might have been given other pressures the business maybe facing.

You know, we don't know what you're paying for cost of goods etcetera. So that's why I took a second on there because I think it's an important point. But at the end of the day, what the independent panel report says is that those invisible taxes, once stripped out, result in generally lower prices over time. It doesn't happen the next day. It happens over time usually within the 12 month period and most of those are truly seen and it's an advantage for the company over all because it encourages investment. It encourages the creation of new businesses because they're now, they're rewarded, not penalized from making investments in the businesses and that creates job growth that generates additional revenues, ultimately, for government as a result of the increased economic activity and that helps support important social services. So, in a nutshell that's what the report says.

The other thing the independent report says - I want to hasten to add - is that for the average family in BC there is an additional cost of about \$350 per year. So I want to be upfront about that. And one of the reasons why we're having this listening exercise is we're looking for ideas on how we can improve the HST and reduce or eliminate that additional cost on family. Thank you.

**Moderator:** Let's go now to [caller] who has a question about the PST. [Caller], go ahead please.

**Moderator:** Are you there, [caller]?

**Moderator:** He doesn't seem to be there. Let's go to [caller] who has a question about the HST versus income tax. Go ahead, [caller].

**Caller:** Hi, Kevin. I've got a sort of a general question about why is the service tax preferred over an income tax to raise government income. For example, if I were to work in a service industry, I have to pay 14 cents on the first dollar I earn. But if it was income tax, I wouldn't start paying tax until I reach a certain threshold like my personal exemption \$15,000. Could you explain that better to me?

**Minister Falcon:** I sure can. Generally speaking, [caller], what you will find and the reason why a 140 jurisdictions - countries around the world - all have moved towards harmonized sales taxes or value added taxes, which is what they call them, and not stuck with or gone back to a retail sales tax which is what the PST is. It's because they are much more efficient in terms of encouraging economic activity investment and frankly there are fairer way of making sure that people are paying in accordance to what they earn.

By way of example, let me use the HST. The independent panel report for example points out that 40% of the cost of the people that are paying HST is the people that are earning over a \$100,000 a year. Because they, in other words, they're picking up 40% of the cost. Then the reason is pretty straight forward because they are spending a lot more if they go buy a yacht or dinner every night at expensive restaurants or whatever the case maybe. They're the ones that are paying this, because they earn more. They spend more and when they spend those dollars, the HST is captured in the lower end of the scale.

That's why the independent panel report points out that for students, for example, or really low income seniors, they actually come out ahead with the HST rebates. They're generally not spending as much because they don't have as much income. And so, you know, with the rebate, many of them come out ahead in fact. They're just not spending that much money to be able to generate the \$230 of additional PST that's now part of the harmonized sales tax, in that situation.

You pretty much can't find many economists that would not say that it is more efficient way to actually generate taxes and I have to say that in BC case we have a unique challenge. I speak quite knowledgeably about this because I'm a former health minister that oversaw a budget increases in health care of 20% over a 3 year period. That's just in 3 years; over 2 billion dollars in spending increases in health care. And the reason is that we have an aging population in BC and we have a shrinking work force and as the population ages, they're not earning as much and we want to make sure that we have a tax system. I think that is the most effective, efficient possible tax, that regardless of the income, they're paying in accordance to what they're spending. And that's why I think that HST is much better than going back to a PST model or retail sales tax because there hasn't been a jurisdiction in the world that has introduced a retail sales tax which is what the PST is anywhere. The last country I could find was Barbados in 1975 introduced sales tax, retail sales tax like the PST and got rid of it a year later. Every



country including China and it doesn't matter what their political pedigree is have moved towards harmonized sales tax approaches.

**Moderator:** A reminder to everyone that if you would like to ask a question, please press the star 3 on your keypad. And we are on the line with BC's Finance Minister Kevin Falcon. Let's go to [caller] now who has a question about buying a house. Go ahead, [caller].

**Minister Falcon:** Go ahead, [caller].

**Caller:** Yeah, hi. I actually have a couple of questions. Sorry since I have a question. Another question came to mind as well if you don't mind.

**Minister Falcon:** Go ahead.

**Caller:** So the question number one is that I'm a young family trying to start out and buy a house, and now having all these new rules and regulations that just came in to play with mortgages, and on top of that having HST. It really puts me out of reach for being able to purchase a house. So I know that you know more foreign money is coming in these days and it's scooping up a lot of the houses. But locally, most of the young families cannot afford a house in Vancouver.

Secondly, as to the point earlier we've made about retail, I've noticed for instance, restaurants. They are suffering naturally, not only because of HST of course with the alcohol rules that have come in to play. If you go in to most small you know boutique, kind of restaurants, you see them half of the time half empty or pretty much empty most of the week, the only time you see that there's any people in there is either on Friday or Saturday night. So it's really hurting our restaurant food industry as well. I just want to find out what your feedback on this and what do you think?

**Minister Falcon:** Thanks very much, [caller]. So the second point first, which is restaurants. And believe me; I've met with the lobbying association for the restaurant industry. I've met with individual restaurant owners. I've met with people that work in restaurants and what I hear to be perfectly candid is a lot of them say, you know what, HST frankly has had minimal impact on my business. And in fact, that's significant, if they're opening up a new restaurant or expanding their restaurant or anything that involves investment because of all the things that... Imagine if you're opening a restaurant. All the construction materials costs for example no longer have PST attached to them. All of the costs of buying tablecloths and glasses and knives, forks, plates, everything that still have PST. All those costs are now stripped out so there are significant savings in terms of opening or expanding a restaurant operation.

Having said that, I want to be clear: there is an impact on restaurants and it depends which restaurants you talk to. There was a fellow on CKLW radio a few weeks ago that was a restaurant owner that phoned in. I heard him and he was basically saying, 'look, when the news came out, I was very public. I signed the petition. I said it's going to wreck our industry. But I have acknowledged that in fact our sales have improved. It hasn't affected my restaurant the way I thought it was. And I have to call myself now as supporter of HST.' And I've heard that a lot from a lot of different restaurant owners.



But I want to say this; that all the debts, the change we made to the drinking laws has had a real impact and I don't want to deny that in terms of liquor sales. Now what the change was that the .05 law is now much more, there's tougher penalties associated with being captured with the blood alcohol level reading. At .05 it is, there's no question that has had an impact in the restaurant sector and I think most of the restaurant people would acknowledge probably far more so than HST. But, having said that we've also seen a reduction of some 50% in fatalities associated with drinking and driving.

And so, as we said with the restaurant industry, let's figure out how we can try and recognize and deal with that. But let's not throw out the baby with the bathwater. And the final thing I'll say is, I've had this debate a little bit with the lobbying group for the restaurant industry who are saying, you know, that this guy is [unknown] in our industry, I'll never recover if you don't get rid of this, the additional cost. If you go to London or Paris or Rome or any of the great cities of the world that are pretty amazing, they're known for the restaurant industry. They all have value added taxes and frankly they're more than double the rate of our HST. Our HST rate of 12% is the lowest in Canada. It's way lower than it is in Europe and somehow they still manage to not only have a restaurant industry but it's pretty thriving.

To your first point about housing, you're starting out in housing and what we did in recognizing that we didn't want to have an impact on housing. The first thing you should know is that if you're buying or selling a house that someone's lived in before; in other words, a used home or used condo, there's absolutely no HST. So for 90% of the housing activity, there's no change. If you're buying a new home, what we did was reintroduce to make sure there'll be no effective change in additional cost if you're purchasing up to a \$525,000 home. So on the west side of Vancouver for example, if you're starting out, I'm presuming that you're probably buying a condo in Vancouver. I'm from Surrey and my first buy was a townhouse. My second buy was a single family residence. But in Vancouver, I suspect most first time buyers are probably entering the condo market, just because the single family homes are so, so expensive. But looking at the Greater Vancouver real estate board that the medium price for a Vancouver condominium on the west side is about \$520,000 and on the east side, it's about \$380,000. Both of those would be underneath the \$525,000 threshold. That doesn't mean that you might not end up paying more and if you pay over \$525,000, then yes you are paying an additional cost on housing. So we try to work with the development industry to try and identify what is the right threshold level on that. So I've made a note of your comments. I think it really comes back to trying to minimize the impact on young working families trying to start out. So thank you for that.

**Moderator:** Well, thank you, Minister. We now have the first of two feedback questions to get your thoughts on the HST. I'll be asking you to select an answer by pressing a number on your keypad. Please listen carefully to the option. I will read the question and the answers twice.

Here's the first question: Government's HST revenues increase faster than PST revenues because the tax pays for HST is broader. If you could only pick one way to use any additional HST revenue which of these would you choose. Now, there are 3 options. The first one is increased spending on health care and education. Press 2 if you like that option. Reduce BC tax burden, press 3 if you like that option. And provide additional support to families with children. Press 4 for that option.

I'm going to read the question again: Government's HST revenues increase faster than PST revenues would have because the tax base for HST is broader. If you can only pick one way to use any additional HST revenue, which of these would you choose. Again, the 3 options... Increase spending on health care and education, press 2 for this option. Reduce British Columbian tax burden, press 3 for this option. To provide additional support to families with children, press 4 for that option.

We can go back to the phone lines now and just before we go to [caller], I would just like to remind people...I know you've been waiting on the line a long time and you have lots of questions that you'd like to ask us. If we could just get one question from each person, that would allow us to get more questions in. So let's go now to [caller] who has a question about exemptions on the HST versus the PST. Go ahead, [caller].

**Caller:** Oh, hello, Mr. Falcon. Thank you very much for admitting that the Campbell government shot itself real badly in the foot on this whole question. I'm still amazed about it, but anyway, thank you for answering my question. The only way you'll get me to vote yes on the referendum in favour of the HST is if I know the whole story of what the exemptions are to HST and I haven't been able to find it so far. Here's my question: what items and services specifically; I just need a list. Will it be made available for us to see what is exempt from HST?

**Minister Falcon:** Thank you, [caller], and thank you for pointing out the fact that again, we did do such a spectacularly bad job on introducing it.

You're right, we shot ourselves in the foot and reality of the issue for me is I just want to make sure that our stupidity, and how badly we introduced it and then didn't explain it to the public; I don't want good public policy to pay the price for what was a very incompetent handling of that whole situation. So, I accept your correct criticism. What I can suggest to you, [caller], is that if you go to HST in BC dot ca [hstinbc.ca] and look at the independent panel report. It lays down what's new; what's changed. What costs more is laid out really nicely so that you can see it there. If you want more details, like every single item, we can arrange to get you that done.

Send us an e-mail and look on the site. To be honest, at one point I think there was a very exhaustive itemization of every single thing that was increased in cost, and the same; all of the rest of it. So go to HST in BC dot ca, and you should be able to find it there, [caller]. Thank you.

**Moderator:** A reminder if you would like to ask a question, it is star 3 on your keypad. Minister, we have most of the people on the line now and I wonder if you could repeat some of your opening remarks for those who may have missed them.

**Minister Falcon:** I certainly will. So, I just wanted to thank all the folks that have joined us. I understand we've got almost 30,000 or 29,000 people that are with us on this telephone town hall tonight. So thank you all for joining.

At the beginning, I just talked about the decision we made to move forward on HST as I just pointed out in my last answer, it was very poorly, not well communicated at all, and very poorly introduced. And one

of the things we're trying to do tonight is - two things: Number one, answer questions to make sure... I'm trying to do best to make sure that we provide the information to British Columbians, answer questions they may have or concerns they may have. But also to listen to see if there are ways that we can improve the HST to ameliorate or minimize or eliminate the additional impact that it may be having on families. It's something that our new premier has made very clear that she wants to make a priority.

So that's why we're listening here tonight, to see what we can do to improve it. And we also talked and through the answers to the different questions. I get to address a bunch of things, but in a nutshell what I would say is the thing to know about HST is: 80% of consumer spending remains unchanged. In other words, we used to have a 7% PST and a 5% GST which is 12%, and under HST we also have a 12% harmonized sales tax. The difference is that we now have 20% of consumer spending that now includes that additional 7%, and that's something that I would just want to be really upfront about. And there's a whole bunch of reasons why we did it, but in a nutshell I would say it's because we're trying to mirror... the introduction of the GST was, when it was introduced in the 90's, it replaced the manufacturing sales tax, which imposed all these costs on small business and large business. They get passed along to the consumer invisibly and the consumer also paid. That's exactly the same thing with the PST. And so under a harmonized sales tax, all of those are stripped out. The invisible PST cost is eliminated and you now have one tax that's paid. The final consumers though - all of those additional costs are eliminated - that ultimately results in more competitive pricing for the consumers, because those costs are now gone. In a more efficient, hopefully growing economy, with more jobs that will generate more income ultimately for government. So thank you for joining us tonight.

**Moderator:** And thank you, Minister Falcon, the Finance Minister for British Columbia. Let's go the line again and talk to [caller] who has a question about tax on children. Go ahead.

**Caller:** Thank you, Mr. Falcon, would you consider removing the tax on children's clothing and shoes and also on their school supplies and books. This is really hitting families very, very hard. I live in East Vancouver.

**Minister Falcon:** Thank you, [caller]. And so one of the things that is important to know is, that under the HST, we have exempted the provincial portion on children's clothing. So if you're buying children's clothing, you're not paying the additional 7%, you're paying the 5% GST that you're always paying.

What has changed though, [caller], and the criticisms that I've heard - and it's legitimate - is that some kids are just big kids. They're adult-sized children. So when you've got adult-sized children, they often don't make the grade in terms of what exemptions are for children's clothing. Because we've harmonized with the GST, the HST now operates on exactly the same rules as the GST and so that is true. I've made a note of that. There's an additional cost for adult-sized children that parents are paying, and I acknowledged that.

Just as an aside, I have to say that under the PST, the biggest challenge with PST - when we were running our own provincial sales tax, and the reason why we needed 300 tax auditors at a cost of \$35,000,000 a year - is we have to decide what it applies to and what it doesn't, and children's clothing was one of those examples where you may recall in the olden days, pre HST, they used to have to.

If you're buying clothing for kids, you'd have to sign that form, remember at the cash register and you'd write down your name and say it's for my kids and then you would get exempted on the PST. But what happened was, the small businesses, all the retailers had to keep all of those sheets. All of those sheets had to be audited by our auditors. The retail businesses would be phoning to say, our competitor is not doing it the way we're doing it, and so a lot of them are running around auditing people. It used to be the number one complaint I used to receive. But that is the challenge of a retail sales tax. We used to charge it on red, green jackets, but not yellow rain jackets. And you know on and on it goes; you have to define what it applies to, what it doesn't apply to and it gets very complex. It had a lot of people burdened and you know it results in a lot of administrative duplication, and burdens that were eliminated under the HST because you operate under one single system: one piece of paperwork that you have to do with the feds and you eliminate all of those provincial costs. But thank you, I've made a note of that.

**Moderator:** We go now to [caller] who has a question about the HST on renovations. Go ahead, [caller].

**Caller:** Yes, I live in Vancouver and I got a lot of letters today from the council. I live in a condominium and we have to replace the roof, which is supposed to cost \$111,000, and of that, the HST is \$10,663. My question is if there was no HST, how would that compare with PST and GST?

**Minister Falcon:** Sure, so in the case of renovations like that, what happens is, whether there will be a reduction in prices on the cost of materials. So those prices will be cheaper as a result of the PST no longer applying, so when you buy all of the roofing materials, etcetera, there will no longer be PST associated. So that will be cheaper, but what will be more expensive is the labour portion, because the labour portion will now have the HST, because it's harmonized. It will not just be the 5%. It will now include the 7% on top of that. And so, on net over all, you will be paying more as a result.

I'm glad you raised this one because I think it's really important to know that there are winners and losers, if I could term it that way, with respect to HST. When you harmonize, not everyone comes out ahead in every situation. But on balance - and that's what the independent panel report that I referenced, on the website HST in BC dot ca - that's what the independent panel report points out. It says, look, in some cases you are going to be paying more, and that would be a really good example of that.

But overall, on balance, the benefits far outweigh the costs because you have a much more efficient, robust tax system that generates more investment, more job creation, more economic activity, which ultimately generates more revenues back to government to support social services like health care and education, etcetera. But really good question, [caller], because I think it's really important to make that point, that not everyone is always a winner. Just because business gets a break on a lot of the material costs, the consumer does not, in that case.

**Moderator:** Let's go now to [caller] who wonders about the benefit to the consumer. Go ahead, [caller].

**Caller:** Hi, Minister. My question... It's not really a question but really an observation that the HST is a consumer tax which means that everything that gets taxed through the small business ultimately is paid

by the consumer. The small business person pays nothing because he gets a credit for what he buys and then he charges the consumer on (??) and remits the differential to the government. The first thing is - when you said earlier that there was a HST credit given, oh, I think it's \$225 now versus \$75 earlier - which was a difference of \$150. That's really a benefit only on about \$3,000 worth of spending. So I don't see that as benefiting the retail consumer at all.

Secondly, since the small businessman is now getting a credit from the government when he remits the HST, whereas earlier he had to remit the money back as sales tax and manufacturing, on manufacturing, his cost has actually gone down. His cost would have gone down, as you said, and theoretically he should have passed that savings through to the customer. But in reality, the customer, the end customer, always could afford to pay whatever the price was. So the small businessman is not going to reduce any prices nor is any business. They're just going to pocket the difference and as a small business owner - if I was - I would do the same, because of all the other costs that are going up.

So I don't see that as benefiting the end consumer in any way fashion or shape. All that's happening is the burden is shifting from the small business more and more to the average person, because they're not a business person and they're paying more of the tax burden, and this is just another way to collect it through.

**Minister Falcon:** So thank you, [caller]. And I think you've raised a valuable point. So first of all, I really encourage you to have a look at the independent panel report at HST in BC dot ca [hstinbc.ca], because it actually looks at this very carefully and it comes forward and says that, for the average family, there is an additional cost of about \$350 per year for the typical family.

So I want to be clear about that. You're right that there is an additional cost. Now, it's one of the reasons why we're hosting this. Because what we're looking for are ways that we can reduce or eliminate that additional cost that the HST - we acknowledge - does impose. So that's why the listening exercise is important. I wouldn't disagree with most of what you said except for the comment that you made; the assumption that under PST plus GST, that people aren't paying the invisible PST; that all the businesses were being charged.

I can tell you I used to run a business, so I can tell you that when businesses are paying taxes, those taxes are flowed through to the consumers. There's just no doubt of that in my mind. And they were paying a lot of PST; they pay on virtually everything. And so I went to paying all those input costs that get passed along and I think most people will probably nod their head and say, I have a feeling you'll probably pass that along to me. Well, if you accept that they probably do, the reverse is also true that when all those taxes go out. What the - and it's not me saying it - with the independent economist, whether it's Jack [unknown], whether it's Michael Smart back east, or you know, virtually every credible economist will tell you that ultimately it doesn't happen overnight. But ultimately you will see, in a competitive market economy, where businesses aren't priced competitive, they lose. The consumers will go elsewhere. They generally do lower prices.

I'll just give you one good example. Fortis BC which now owns, used to be Terasen, which is now Fortis BC, where we pay a lot of our gas bills, has just written a piece that I saw on paper the other day, stating

that the elimination of the HST results in savings to that company, just over a million dollars a year. They are utility; that means if they have additional cost, they pass them on to consumers. If they have price reduction, cost reduction, they pass those savings on to the consumer. They're required to actually. And they pointed out, as a result of HST, they are passing along those savings that they receive as a result of that, directly to consumers. So, that's one example where we absolutely know for sure it's happening because it's actually mandated by law, because they are essential. So that's one example, but I think if you accept that in a competitive market economy, there's price competition, you'll probably accept my argument. If you don't, then you probably won't and that's okay too. But thank you, [caller].

**Moderator:** Let's go to the line now and [caller] is asking about the potential of lowering the rate. Go ahead [caller].

**Caller:** Kevin, I wondered if the government has considered incrementally lowering the HST?

**Minister Falcon:** Thank you, [caller]. Yes, that's one of the suggestions we do get on every telephone town hall meeting that I have hosted. That has been one of the recommendations. So it is one of the things I'm considering, and I'll certainly make another note of that from your point of view.

Just for the benefit of listening audience, a 1% reduction in the HST costs about \$850,000,000. So, it's one of those things as finance minister, I sort of, I have to suck it in. But this is something I have heard so I've made a note of it. But look, the whole point of listening is we're really trying hard to correct the screw up we made when it was introduced. And to say to the public, we want to hear your ideas. How can we reduce or minimize or eliminate the additional impact that - we acknowledge - the HST has on the average family. I appreciate your suggestion on this [caller]. Thank you.

**Moderator:** And thank you very much, Minister. We can go now to our second question or feedback question. We're interested in hearing your feedback on the HST. And I'm going to read the questions and the answers twice. And again, select your answer by pressing a number on your keypad.

Here is the question: If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up that revenue difference, which of these would you choose? There are 3 options. First, increase the PST rate, if you like this option, press 2. Wage, income taxes or other taxes; press 3 if you agree with this option. Or run larger deficit; press 4 if you agree with that option.

The question one more time: if British Columbians choose to return to that PST and GST system, there will be a negative impact to the provincial budget. If you could pick only 1 option to make up the revenue difference, which of these would you choose. The 3 options again: 1<sup>st</sup>, increase the PST rate. Press 2 for that. Raise income taxes or other taxes; press 3 for that. Run larger deficit; press 4 for that. Star 3 on your key pad if you would like to ask a question.

Let's go now to [caller] who is asking about what happens if the HST is defeated. Go ahead.

**Caller:** Yes, I'm curious to know, if the HST is defeated, are we going to now go back 2 years or 3 years and revise everything, or go from this point on forward.



**Minister Falcon:** Thank you very much for that question. So if you go, again, to the independent panel report at HST in BC dot ca [hstinbc.ca], they did a really good job on this. Essentially what they said is this: it would take about 2 years to unwind the HST and the primary reason for that is that the HST is an act of federal legislation. So the Federal government would be required to repeal its federal legislation and then we as the province would have to introduce a retail sales tax legislation again.

The PST legislation, if you will remember, is a very complex case of legislation, I can assure you. But we would also have to rehire about 300 tax auditors that had a cost of about \$35,000,000 a year to administer the paperwork and the auditing associated with the PST. So that's one part of the cost. The second part of the cost, which is more concerning for me, as the minister of Finance, is that we would be required to repay to the Federal government \$1.6 billion. One of the reasons why the HST option was really attractive to us as a government - if you roll back the clock a couple of years - you will recall that we were in the midst of an international economic meltdown that hammered our revenues really badly. In fact in one 60-day period, we lost over 2 billion dollars of revenue that we were not expecting. I was sitting there at cabinet table with the minister of health at that time - which is the biggest spender in government, almost half my budget - and thinking to myself, oh boy, this is going to be a big challenge. So the 1.6 billion dollars, which the federal government provided us as the way of helping us transition into the harmonization of our PST and the GST, were dollars that were much needed.

The problem is, if we cancel the deal and go back to the PST GST, then we'll have to repay the federal government that \$1.6 billion. And now some people say no, just don't pay it back, don't give it to them. But you have to understand how Federal offers work; they transferred dollars over to us as a province. All they have to do is deduct 1.6 billion dollars from the next transfer, if they want to, and you know that would solve that problem. So, in my mind, we kind of get it back one way or the other, whether we like it or not.

The other point of the independent panel report; it also notes that because the HST is smart and more robust tax, it encourages exactly what we want to see happen, which is growth in the economy. More economic activity, which ultimately generates more revenues for the province, plus it covers, as I mentioned earlier - 20% more services now have the 7% applied to them - because it is harmonizing with the GST. That incremental revenue is pretty substantial, and in just over the 2-year period that they mentioned.

So they make the assumption that it will take us 2 years to get out of it. So that in 2013, which would be the 1st year, we'd be back to PST and GST, the loss to the province in revenues, from going back to the PST, is \$531 million. The following year it's \$645 million, and it grows every year. So over a 2-year period, that's \$1.2 billion plus. The \$1.6 billion we have to give back and that comes down to almost 3 billion dollars less revenues that we will have in our budget. And I just, I don't want to sound like oh, this guy is [unknown] or anything, but I'm just telling you, as your finance minister, that is a big challenge for any government. We will manage; if the public decides we're going back to that, then we will manage it, and we'll figure out what we're going to be spending less on, what we're going to have to tax more on, or whatever the case maybe. But there are going to be costs. I just want to be clear about that. But thank you.



**Moderator:** We have about 20 minutes left on our call this evening and I do want to remind everyone, please keep your questions brief so we can get to as many of them as we possibly can. Going now to [caller], who's on the line and has a question about the HST and the effect it has on restaurants. Go ahead, [caller].

**Caller:** Hello, Sir. I just returned from Japan and in Japan there's a VAT on everything, okay, but it's only 5%. If I go to Hawaii, the VAT again is on everything, but it's less than 5%. Why is it 12% here in British Columbia and also, I mean, you probably noticed it, at least in my neighbourhood here in Vancouver Centre, like 25% of restaurants, marginal restaurants, they've gone out of business since you went over to the HST. They could survive on the GST, but they could not survive when you changed to the HST, so they can survive on 5% but not 12%. What is your answer to that?

**Minister Falcon:** Sure, thanks [caller], and you're right, but you have to remember, in Europe, you're talking about value added tax of almost 20%, so it depends on where you're going. What I said earlier, [caller] in response to a question like this; I don't want to pretend there's not an impact on the restaurant sector, but I would argue that the doom and gloom scenario... it's going to ruin the industry as we know it. I just don't think it's supported by evidence.

So if you look in Europe, the great cities of the world, London, Paris, Rome, big cities where they all have value added taxes that are much higher than we have here in BC - in fact our 12% rate is the lowest in Canada. It's lower than Ontario. It's lower than in the Atlantic Provinces. If you look in Europe, even with their value added tax rate of almost 20%, depending on which country you're in, they still have some of the most thriving, world-renowned restaurants anywhere in the world. So that's not to say that there's not some impact, there is. But what I say to the restaurant lobbying group and others is to look - if the overall effect of harmonizing is to create a growing economy, is to create 25,000 new jobs as the independent panel report pointed out - it will mean more families are able to go out and buy restaurant meals, etcetera. That is overall is going to be good.

We had someone on the call the other night from the movie industry, to talk about how they are. They have never been better than they are now. They are attracting movies and winning movie projects here in BC as a direct result of HST, because of the fact that if you think about the movie industry, think of all the PST that applies to all the vehicles that they purchase; all the taxes that they can strike out of all the cost that are involved. They now have no PST, the PST that invisible PST, can be stripped out; they're much more competitive. That means more movie activity; more revenues ultimately generated to the government; more people being hired to work as camera technicians, electricians and carpenters and all the rest of the support industry in that sector that are out buying meals, even with the additional 7%.

The other thing that you said, you've been in Japan. Tax is 5%. I've been to Japan; I forgot what the rate was. What I can tell you is it applies to everything. Now the difference in Canada is that when the GST was originally introduced, the government of today made a conscious effort not to apply everything and have a lower rate; but to exempt things like basic groceries, like rent, like health care, education, prescription drugs, those kinds of things. And so when we harmonize our PST with the GST it applies to exactly the same things as the GST did. So whatever you used to apply GST on, you're paying HST, but it

also exempts all of the things that our GST exempted before. So HST doesn't apply to basic groceries. It does not apply to prescription drugs, or to your rent, or to health care, or education, or what have you. So that is why it's not a lower rate. Thank you.

**Moderator:** And thanks to everybody for joining us this evening. One point of interest is that, over the course of the evening, we have had 39,000 British Columbians on the call this evening. And we are trying to get as many questions as we can. So let's go now to [caller], who asked about basic control over taxes. Go ahead [caller].

**Caller:** Yeah, my concern is that it's a kind of a short-sighted way of making the books look good for the current government but handcuffing the future government in their choices of taxation. Instead it's a classic case of passing the buck, both literally and figuratively, to offer to listen tonight; that it practically takes a constitutional change in order to exempt something or whatever to have control of the provincial economy through our own provincial government. Instead, the only thing they have control of now is the provincial income tax.

**Minister Falcon:** Okay, thank you, [caller]. So I heard this before and I think you will be happy to find, [caller], that actually it's just not the case.

Some other critics have said oh, we transfer all the tax to Ottawa; we've lost provincial control over taxes and it's simply not true. Under the agreement that we have with the federal government, it lays out very clearly that British Columbians, our government can decide the rate of HST. So we can lower, we can raise it; we can do whatever we want; we can do that every single year. So every single year I could drop the rate by as much as I felt like doing. All we have to do is we have to notify the federal government, giving them written notice that we are planning on doing this. But we can do it on July 1st every year.

We also have point of sales exemptions, so we can make the decisions - as we did to exempt things like gasoline, prescription drugs - whatever things that we decide we want to exempt. We're able to do that for up to 5% of the total revenues that are generated under the GST base. We can also provide additional provincial rebates for charities, for not-for-profits, which we have done, we can.

The Feds must consult with us; if they're going to make any changes that will impact our revenues at all, they have to consult with us and they have to reimburse us if, in fact, there is a change that is going to impact our income strength. We can also make decisions, as we did on residential home heating for example, where we said, we don't want the provincial 7% to apply. So we made the decision as the government, to provide rebates to ensure that nobody is paying a penny more for the residential energy than they were before. So, all of that is within our sphere of ability and influence, [caller]. And I would just argue that on balance we've got exactly the right thing.

The difference is we don't have to employ 300 tax auditors that have cost \$35,000,000 a year to administer and oversee all of the paperwork and all of the auditing associated with the PST, and we don't have to impose on the small business sector, \$150,000,000 worth of compliance costs so that they get the joy of having to deal with paperwork associated with the PST, to deal with auditors coming from

the GST department, the PST department; and finally, it's better for the economy over all. That's what the independent panel report points out, that it grows the economy. It creates 25,000 new jobs, high paying jobs that ultimately will provide the benefit for provincial governors. So thank you for that [caller].

**Moderator:** Let's go to [caller] now and [caller] is wondering about the HST in the film industry. Go ahead [caller].

**Caller:** You said in your earlier statement that film industry in Vancouver is, right now, is at all time low. One of the factors that is entering into it is uncertainty about the future of the HST. Producers don't like uncertainty. The other factors that are entering into it are the weakening U.S. dollar, which we can't do anything about. Something we can do something about however is the fact that Ontario has deferred tax incentives and, right now, Ontario's production level is about 5 times what they are in Vancouver.

**Minister Falcon:** Well, thank you [caller]. So look, there's no question that Ontario has really dug deep in providing I think almost an irresponsible level of tax credits to the film industry, that gets to the point of almost buying your business, essentially. We have maintained very competitive - we work closely with our film industry - we're proud of the fact that we have a growing thriving film industry in BC, and that is in part true of any number of tax credit measures that we've taken to encourage the film industry.

But I really have to take issue with you [caller]. Peter [unknown] is one of the prominent players in the film industry, and is, in fact, one of the strongest supporters of a group of folks called the Smart Tax Alliance, which is made up of everything from tourism associations to business groups, etcetera, including film industry folks that are arguing for maintaining the HST. The primary reason is that they tell me - and I can only tell you what they tell me - is that it has been a very important part of their ability to be competitive in making films.

I can tell you one thing for sure though, if we go back to a PST plus GST system, that immediately puts us at a severe disadvantage to Ontario, which has a harmonized sales tax. As you know, they implemented theirs about 6 months prior to us and we would be at a major disadvantage. Not just with the film industry, but with a whole bunch of other sectors in the business community and I do not want to be in a position where we're losing investment and jobs to Ontario because they've got a smarter tax system; and because we as a government did such a terrible job in introducing and not explaining the HST. We're trying to make up for that now.

I really accept all the criticism and I apologize for the terrible job we did. But on the other hand, I don't want good tax policy to be sacrificed at the altar of our incompetence, how we introduced it and to explain it. So we're trying to make that right. We're trying to get information out to the public so that the public can make at least an informed decision, and I do think that the film industry is one of the areas that absolutely benefits from HST.

**Moderator:** We have about 10 minutes left on our call and we still will be taking a couple more of our callers. But if you don't get a chance to comment, or ask your question, you still have an opportunity to do so. If you stay on the line when the call is finished, you will hear a prompt and then will be able to

leave a message. So do stay on until the end of the call if you would like to leave your opinion. We will go now to [caller] who works in a non-profit.

**Caller:** Hello, Minister Falcon. I work in a non profit ... and the calculation for the tax input credit, for us, has become far more complicated than it used to be, where we only can claim [unknown] about 50% of the GST. Now the calculation is, we have to claim 50%. Of that 5% of the HST and 7% of the HST, which of course creates a lot more work for us. We also have to report it on two different forms. And I'm wondering why it couldn't have just been 1 percentage amount as opposed to the calculations that we have to do. And I'm not against the HST by the way.

**Minister Falcon:** Okay, yeah, thank you very much. Good question. It essentially comes down to the fact that because we have different rates - the Feds have a rate of 5% and we have a rate of 7% - so that way the rebate is done so that the non profits will pay on average no more than they were paying before. That's essentially, in a nutshell two different rates, but I appreciate it would be a lot simpler if we both had exactly the same rate. One of the things, just so you know, that we've heard from folks is why don't you drop the rate. So I'll take that, as you would probably prefer to see a lower rate, so that you wouldn't have to have a differential there. But thank you for that.

**Moderator:** We go now to [caller], who has a question about used cars and the HST. Go ahead, [caller]. Oh, there you go. Go ahead.

**Caller:** Hi, good evening. I'm calling from Vancouver and like many young families in the region we need to upgrade our older car to something that's more efficient; already we're just sharing one car like many other families out there and using transit to the fullest extent. Of course, purchasing new is just out of the question. My question for you, Minister, is since the original purchaser of the car wouldn't pay tax on the purchase, what can be done to improve the affordability of used vehicle for a family?

**Minister Falcon:** Thank you very much. So with respect to cars, there's good news and bad news. The bad news first... On used cars we have applied a 12% charge, but it's actually not HST. It's a charge that we put in place and the reason we did that was that we heard from the car industry that there was a lot of - what they called - 'curbing' going on; where people are buying and selling cars, ostensibly privately, but really what they were doing is acting as car dealers without actually being a dealer. This is my memory - I'm sort of going on my memory on this one, to be honest with you. But I do want to acknowledge that it wasn't there before and that it is there now. It's actually something that we put in place separate from the HST.

With respect to new cars, it's a different story. New cars are expensive. You may recall in the 1990s the government; they introduced what they called the luxury tax, which was a 3% tax on vehicles. At that time, the amount was \$32,000 which frankly I don't consider luxury, so you pretty much can't buy a car, a new car. So that pretty much applied to most car purchases.

We raised that threshold up to \$55,000 to try and genuinely make it apply to luxury vehicles, but when we introduced the HST we got rid of it. So that if you're paying \$55,000 or more for a vehicle there is no more 3% luxury tax at all. The other PST, GST that used to be paid hasn't changed under HST. So to recap

used cars, you're absolutely right: there is a cost there now. On new cars, no change except that the luxury tax of 3% has now been eliminated. Thank you.

**Moderator:** Our time is almost up for tonight. We can take one more call and I do ask you to stay on the line because we'd like to hear what you have to say. If you didn't get a chance to comment or ask your questions, just hang on and when the call is finished you will hear a prompt and then you will be able to leave a message. So just one more call and it's from [caller] who has a question about health care therapies and the HST. Go ahead [caller].

**Caller:** Good evening. I work in non-profit housing and a lot of our tenants have health care issues and the HST now applies to massage therapy, which is what I have seen. It is a real healing process; but a lot of these people don't have extended health care benefits. The MSP only pays \$25 per visit to a massage - registered massage therapist - and most of them, I think the going rate is \$60 to \$65 a visit, plus the HST, and I'm wondering if there's a possibility for the HST being removed from that?

**Minister Falcon:** Okay, thanks [caller]. That is an important question. So essentially what happens is, because the PST harmonizes with the GST, whatever the GST applies or doesn't apply to is a decision that the Feds ultimately make. On health care services, what they essentially say - and I'm going by memory here - but if 5 or more provinces deem something to be a medical service, then that will be exempted from GST, and thus exempted from HST. Massage therapy is not one that has thus far been identified by at least 5 provinces as medically necessary. Any other publicly delivered health care services are exempt from HST. Prescription drugs are exempt from HST; but you are correct in pointing out that, in the case of massage, those are not exempted. Thank you.

**Moderator:** We are now coming to the end of our call. And to Minister Falcon, do you have any final comments?

**Minister Falcon:** The only comments I'd like to make is, I'd really like to thank the tens of thousands of Vancouverites that joined us on the call this evening. I also want to thank my colleague, Minister Mary McNeil, who's the MLA from Vancouver False Creek, who also has been on the entire call, patiently listening and taking notes of what folks have said.

I really appreciate all of the input and I just want to say, in conclusion, that if you have the opportunity to go to HST in BC dot ca; you will find that there is a lot of information. The independent panel report is there and it will talk about the pros and the cons of HST or going back to a PST plus GST. In a nutshell, I just appreciate all of the input. We're hoping to try and fix and improve the HST to make it better and I really appreciate those of you that have taken the time to not only to listen but to ask questions. It's been a great opportunity for me and I thank all of you.

**Moderator:** Thanks to the Honourable Kevin Falcon, the Finance Minister for British Columbia. Again, if you didn't get a chance to speak to the Minister tonight you still have an opportunity to have your say on the HST. Stay on the line when the call is finished; you will hear a prompt and then you'll be able to leave a message. Thank you to everyone for participating tonight. Thank you to the Minister and I will now formally close this town hall. Goodnight.

## MAY 12, 2011 – VICTORIA TELEPHONE TOWN HALL

Host: Minister of Jobs, Tourism and Innovation, the Honourable Pat Bell

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
134,873	25,431	16,897	15	66%	235	27

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the tenth of eleven regional town halls conducted by Government with British Columbians.

Minister Bell responded to 27 questions and/or comments during this call. Issues that arose from citizens from the Victoria area included the following:

- Exemptions or mitigations for specific products or industries: funeral services, contracting services, restaurants, over the counter medications, gym memberships and other healthy activities, entertainment, basic cable, artist cooperatives, basic consumables, bike helmets, energy efficient vehicles and privately sold vehicles
- Rate reduction to 10% and administration of one tax must be cheaper.
- Impacts on seniors on fixed incomes.
- Savings not being passed through to consumers.
- Will the government reintroduce the previous system and how will the Government make up the revenue differences.

Callers indicated they were upset at the process of implementing the tax and were concerned about their level of trust with the Government on the issue, including the PST + GST system is a “fairer” system, while others sought to understand the relative strengths and weaknesses between consumption taxes and income taxes.

Confusion remains about the application of the tax on products and its administration. One caller suggested home heating oil should be exempt from HST and another wondered if the HST had to be uniform across the country.

### Questions/Comments to Minister

*The question in the referendum is are you in favour of extinguishing the HST, not of improving it...*

*All I want to know is could they published the pros and cons in the newspaper?*

*Every turn slapping us with fine, fees, taxes, etc. and I think at some point government has to say okay, we're got to live within the means of the people, let's have a combined 10% HST rate.*

*I begrudgingly actually accept the HST; I think it's better to have a tax that just needs one group of people to maintain it, a little cheaper that way.*

## VICTORIA TELEPHONE TOWN HALL SUMMARY

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Callers indicated they were upset at the process of implementing the tax and were concerned about their level of trust with the Government on the issue. Some believe the PST + GST system is a "fairer" system, while others sought to understand the relative strengths and weaknesses between consumption taxes and income taxes.

Confusion remains about the application of the tax on products and its administration. One caller suggested home heating oil should be exempt from HST and another wondered if the HST had to be uniform across the country.



**May 12, 2011 Transcript: Victoria Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST town hall with BC Minister of Jobs, Tourism and Innovation, the Honourable Pat Bell.

My name is Marisa and I'll be the moderator for the town hall meeting tonight. Before we begin, I'd like to say a few words about how this town hall will proceed. The Minister will have some introductory comments then we'll proceed with a live question and answer period.

A word about privacy, this call is being recorded and will be transcribed and posted on our website. So if you do not want your ideas, comments or opinions to be part of the transcript, I recommend you remain in listening mode. So that we can include as many of your questions and comments as possible on this call, please keep them short and to the point.

If you wish to ask a question during the town hall, please press star 3 on your keypad and you'll be connected to an operator. Press star 3 on your keypad. For your privacy, please use only your first name when speaking to the operator. We want to ensure a wide variety of views and questions from the audience tonight and the operator will make sure that we reduce duplication of comments. When you hear me announce your name, your line will open and you can ask the Minister your question. After you've asked your question, your line will be muted so the Minister can respond and you will be placed back in listening mode. Please note there will only be questions and answers during the town hall, we won't have time for follow up questions.

Again, we want to maximize the number of questions that the Minister can take. I ask that you use polite language on the call. Anyone using bad language or swearing will be cut off. Later in the call, you'll have an opportunity to provide your feedback on the HST directly to government by answering a couple of multiple choice questions. These questions are not scientific, rather they provide an opportunity to engage you on some important questions about the HST in BC.

So, thanks for your patience everyone, we'll do our best. We may not get to everyone who has a question or comment with the Minister tonight. However, if you stay on the line until the end of the town hall, you will have a chance to leave your comment in a recorded message. So again, if you want to ask a question, please press star 3 on your keypad. I'd now like to turn this call over to Minister Bell for his opening remarks. Minister.

**Hon. Pat Bell:** Thanks so much, Marisa and thanks everyone for staying this evening. It's a beautiful day in Victoria and I'm sure many of you would rather be out enjoying the sunshine than listening to me, but it is an important issue and I want to make sure that you have as much information in a non-bias way as possible.

So, I'd like to start out just by outlining the purpose for this evening. It is for me to hear from you specifically on what you think of the HST and what we can do to make it work better for you as an individual and for your family. As you all know, when Premier Christie Clark came to office in March, she acted upon her commitment to move the date of the HST referendum from September to June so on

## Check Against Delivery

June the 24th or prior to that, you all be receiving your ballots. So we did engage with British Columbians, and have been over the past number of weeks, for this telephone town hall meeting. This is my third one and I can tell you that typically, we get 20 to 30,000 participants on each of these calls and I'll let you know exactly how many people were on line as we move through the evening.

We also understand that we have not done a good job communicating the HST and the public has an overwhelming interest in making sure that they have information that is accurate, that is honest and that is non-partisan. So again, my goal tonight is to be able to do that for you.

As we approach the referendum date, it's important for you to have all the facts whether you want to go back to the PST/GST or whether you want to retain the HST system. There's 3 additional ways for you to get more information. The first, and I'm got to be mentioning this website a lot throughout the evening, is by going to [www.hstinbc.ca](http://www.hstinbc.ca). This website has a wide variety of non-partisan information that clearly outlines the facts on the HST. And you can also download a copy of the independent panel report that was released a couple of days ago, I'm got to be quoting from that panel report this evening as well. The second key opportunity will be on June the 8th from 7:30 to 9, there will be a public dialog forum held at Camosun College, the Lansdowne campus and that will be coordinated by Camosun in a non-partisan way. They are selecting who will participate in terms of who the speakers will be. We are not influencing that in any way, shape or form. If you're a little further in the Capital Regional District and if you want to run up to the Nanaimo one, Vancouver Island University will be hosting one of these dialogs on June the 9th from 7:30 to 9. So there's a couple of opportunities for you. The third is there will be a voter's guide mailed out to everyone early in June and that will have summary from the independent panel report on the HST, it will have comments from both the pro and con side on the HST debate. It should have a really good balance of information in it.

So really, my whole goal is to hear from you this evening so as a final comment, I want to read to you the last couple of paragraphs from the independent panel report because I think they're particularly relevant. The report states as follows: The process of preparing this report has shown us that much of the debate over the HST and PST/GST remains filled with factually incorrect information. We believe that better information including the good and the bad about each tax system is critical for there to be a successful referendum - no matter the result. Citizens usually leave such tax policy questions to the provincial government. During this summer's referendum British Columbians will make history. You will decide the future of the HST. The question before you is: Are in favour of extinguishing the HST, Harmonized Sales Tax, and reinstating the PST, Provincial Sales Tax, in conjunction with the GST, Goods and Services Tax? and that will require a simple yes or no answer.

They close off the report by saying: Our job is not to tell you how to vote, it is to look at the facts and offer our best analysis. Now it's your decision.

The report was authored by 4 distinguished individuals including Jim Dinning who was the Finance Minister in Alberta for a number of years, George Morfitt who served two terms as the Auditor General for British Columbia, Tracy Redies who is the CEO of Coast Capital Savings which is Canada's third largest

credit union outside of Quebec and John Richards who is a Professor in the School of Public Policy at Simon Fraser University and is trained as a business economist.

So it's an important time for everyone, it is historic and now it is over to you. So Marisa, I'd like to start fielding questions and trying and respond in the most factual way I possibly can.

**Moderator:** Okay. Thank you, Minister. We are starting to get the calls in. A reminder, if you do want to ask Minister Bell a question, please press star 3 on your keypad and you will get through. We'd like to start tonight with [caller] who has the question for the Minister from the perspective of a person who is in business. [Caller]? Are you there?

**Caller:** Good evening. This is [caller]. Are you hearing me?

**Moderator:** Yes, please go on right now.

**Caller:** Okay, I was exempt from most of the PST. I'm a small business owner and I got my GST back after I applied for it, but now I have to pay for HST up front. So that cost me more money than I used to have to pay and the government, you, have my money to use for whatever you want, for 4 months 'til I can claim that back.

In closing, that's my main question there, why would it make a difference? I really feel that to change over back to the system that we had before would cost us nothing but money because we still got to pay the 5% and the 7% so the tax is not going to make it any less, this is got to cost us a whole pile of money.

**Hon. Pat Bell:** Thanks, [caller] and thanks for calling in and staying on the line this evening.

So first of all, under the HST model which operates under the GST collections system, you do have a choice of how often you want to remit. Now as a small business owner, you may want to remit monthly or you may want to do it quarterly or you may want to do it annually depending on the size of your business. That's a decision that you'll have to make and also based on the amount of HST that you're collecting and that you're paying out. So I'd encouraged to get good advice from your accountant on that and make sure you're making the best decision for your business. If you were PST exempt, I'm guessing you may be in the agriculture industry, I don't know that for sure, but certainly there were many PST exemptions in the agriculture industry. But even with that, there is a huge opportunity for you to gain advantage under the HST system and reduce the cost of your production.

Just finally, your comment is right on the money it is a significant cost to go back to the old system but if the public chooses that that is the best solution, we will honour that and go into dialog to make sure we do that in the way that meets the needs of British Columbians, so I appreciate your comments tonight, [caller] and Marisa, let's go into the next call.

**Moderator:** Okay. Thanks, Minister. Just a reminder to everyone, if you'd like to ask Minister Bell a question about the HST, please press star 3 on your keypad. And right now we'd like to go to [caller] who has a question around the purpose of this town hall. [caller], are you there?

**Caller:** Yes, I am. I agree with Ex-Finance Minister, Carole Taylor who opposes the HST and I also am wondering about how unbiased these forums are when they are led by a politician who has publicly supported the imposition of the HST? Your original statement was that among other things we were going to discuss how to improve the HST and make it work for us whereas, the question in the referendum is are you in favour of extinguishing the HST not of improving it. So I'm wondering why you were framing this town hall and other town halls in such a manner. It's very confusing for those of us who want to make sure that we go back, as Carole Taylor said, to a fairer tax that is not ideologically driven. In other words, not a massive shift from corporations on to the individual taxpayers.

**Hon. Pat Bell:** Thanks, [caller].

There are a number of questions so let me try and get to as many of those as I can. Your first question was with regards to why it is me on the end of the line as opposed to someone else. You know, I think it's important for you to know that we have new leadership in this province. Christy Clark when she was elected as our leader and as of yesterday, she's now an MLA elect I guess, committed to an open government that is accountable. We're communicating with the public on a regular basis. Tonight's call and the other calls that I've made are reflective of that and I'd encourage you to stay on the line through the evening and you can be the judge of whether I'm trying to present non-partisan information or whether I'm viewing the information and I'll respect your opinion on that but I would like you to stay on the line and listen this evening and hopefully I can demonstrate to you that I am trying to provide information in as honest and upfront a way as possibly can.

You did ask the question about the question in the referendum itself. Now it is not our decision, it was the decision of the Elections BC, Elections BC is an independent office of the legislature - does not communicate for government - it is a function of the legislative assembly where both opposition members and government members are there, but it is independent. So that was their choice, not our choice in terms of the question. That has been, the question's been endorsed, by the way as well, by the anti-HST folks so people I think generally believe it's a good question.

You also asked the question and you made the comment that it was ideologically driven, I would suggest to you it's a good tax policy and in fact that's what most economist will say, but you can take that or leave it for what it is. How do we improve the HST is the purpose of our call tonight and one of the commitments we are going to make is prior to the actual vote on the 24th of June we want to advise the public of what kind of changes we are prepared to make to the HST prior the public making a decision. So you will know exactly what you are voting on, you're not voting on hypothetical outcome, you know exactly what the commitments are, what the HST will look like in the future. We clearly understand you don't like it now, we want to improve that and that's a real key for us being here this evening. So new Premier, we want to listen, we want to make sure that you're heard. So Marisa, with that let's go on to the next question.

**Moderator:** Thanks Minister. Now we do have a lot of people joining call as we go through this and so a reminder to those of you who just joined, you are on the HST telephone town hall meeting tonight with Minister Bell and if you'd like to ask a question, please press star 3 on your keypad. Now [caller] is

hopefully on the line and she had a question about exactly what is impacted by the HST. [caller], are you there?

**Caller:** Yes. All I want to know is could they published the pros and cons in the newspaper. Thank you.

**Hon. Pat Bell:** Thanks, [caller]. So certainly we can talk to the Times-Colonist and other newspapers in the area to see if they'd be willing to do that. But if you do have an internet connection, what I would suggest you do is go to [www.hstinbc.ca](http://www.hstinbc.ca) and you can download our copy of the independent panel report and that has a pretty good summary of what is changed, what is costing more and what is costing less and there's actually some things that cost less as well and I'm actually looking at the page, its page 7 of the summary and it outlines as an example that new homes built. There are over \$525,000 in value will in fact cost more; here are some conveying costs such as real estate fees that can cost more. Structural home renovations, so there's some items like that. There's other items that unchanged and there's other items that are cheaper and there's a good outline about so [caller], I hope that gives you an answer to question. If you do have an internet connection, [www.hstinbc.ca](http://www.hstinbc.ca) and certainly I'd be happy to speak to the people at the Times-Colonist and hopefully they would consider printing at least summary of the report.

**Moderator:** Thanks, Minister. [caller] is on the line and he has a question around the HST and other provinces. [Caller] are you there?

**Caller:** Yes.

**Moderator:** Please go ahead.

**Caller:** Hello, Minister. There are 5 or 6 provinces in Canada that have an HST scheme. Is it necessary that the schemes be uniform in every province across the country or can British Columbia negotiate a scheme that is suitable to our needs and may possibly make the HST more palatable in terms of maybe a lower tax rate and increased number of exemptions?

**Hon. Pat Bell:** Thanks very much, [caller] for calling in this evening and the answer to your question is yes, it is possible for British Columbia to make changes.

Part of the reason why we are doing this call tonight is to collect information and find out from people what sort of changes you think should be made to the HST. Right now, there are all but 4 provinces in Canada that have an HST system. Alberta, Nova Scotia, Manitoba and Prince Edward Island do not; all of the other provinces do have harmonized sales tax system and you know it is just logical to do that. Why would you have two different independent collection agencies, two different processes? As the small business person, I come from the small business world, we used to have to fill a two forms every month to submit our PST and our GST. There's lot of good reasons.

It seems like people are upset about specific issues or exemption for the rate you mentioned at 7%. So those are kind of thing that we're interested in hearing from people and I didn't quite get [Caller] what you're thinking would be if especially the rates should be reduced or if there should be specific exemptions but by going on to [www.hstinbc.ca](http://www.hstinbc.ca) you will have an opportunity there to say what you think

we should do to the tax, that information is being accumulated and we'll make our decisions over the coming weeks and make sure that the information public in terms of our intentions. So [caller], thanks for the call and the advice and let's move on, Marisa.

**Moderator:** Thank you, Minister. Reminder to those just joining, please press star 3 if you'd like to ask Minister Bell a question. [caller] is on the line and he has a question about the HST and savings being passed on. [Caller], are you there?

**Caller:** Hello.

**Moderator:** Hello, [caller]. Hello, [caller]. Are you there?

**Caller:** Yeah. Yeah, I am here. I just want to know how the savings are supposed to be passed on to us. I don't see any savings when I go to the coffee shop in the morning. I'm paying about 16 up to 30 cents more. No business is passing it on to me that I can see.

**Hon. Pat Bell:** Thanks, [caller] and I can kind of give you a bit of information and this really comes out of the independent panel report. The analysis that has been done in other jurisdictions that have gone to HST is that rather than seeing an immediate reduction in the price of goods and you identified your coffee in the morning as one of those, it is more likely that what you will see is a slowing of inflation. So in other words, as the restaurant industry, and I can speak to the restaurant industry because I have been involved in it for over 30 years, we are always under pressure to keep our prices as low as we possibly can. And what I know we would be thinking if I was active in the business today is how do we minimized any price increase as over time? And there is some savings that will through even to the restaurant industry in terms of reduced bill cost for their deliveries, some of their paper products, other products that they received. So the best information we have and what we see through the independent panel report is that you will see that come back slowly. There will slowly be price reduction that will incur over a couple of year period.

**Moderator:** Thanks, Minister. [Caller] is on the line and she has a question about the HST and how its' applied on items. [Caller], are you there?

**Caller:** Yes, I am and I would like to know why we are having HST on funeral expenses for one thing and for another thing, on our heating oil. When I get a tank of heating oil and its costing me \$98 HST. I'm an unhappy camper.

**Hon. Pat Bell:** Well, thanks. I'm got to make at least half a happy camper here because I can tell you that on heating oil - you are not paying HST. What you might find on your bill is you might see HST actually on the bill, but if you look at it, it's actually on 5%. So the nomenclature or the wording that is used on the bill changed from GST to HST when the province switched. But if you do the math on it, what you'll find is that that is actually 5% not 12% so the province specifically exempted the heating oil, natural gas, electricity, even firewood and pellets, although you have to apply for rebates on those two for any HST. So there is no incremental costing on heating oil and if for any reason your supplier is charging you then we need to, we would need to know about that.

Funeral service, it is correct. But you know, that's one of the things and one that I'm got to put you down, I know you can't talk at this point because we have you back in the system, but I'm got to put you down as someone who believes that we should consider exempting funeral services from the provincial portion of the HST. I think that's good advice, I've heard that many times myself and I'm got to identify you as someone who believes that should be the case. I will encourage you to go to [www.hstinbc.ca](http://www.hstinbc.ca). To also register your thinking on that because I think it's a legitimate complaint so Marisa, let's move on again.

**Moderator:** Let's do that, Minister. A reminder to everyone, if you'd like to ask Minister Bell a question about the HST, please press star 3 on your keypads. We have a number of callers tonight wanting to ask question about the HST and its effect on seniors. [Caller] is on the line with just such a question and [caller], are you there?

**Caller:** Yes I am. Minister, I have a fairly long question. I guess they asked here, I am a senior, I've really been hit by the addition to the tax, to the HST, things that required no PST prior to that. I looked at doing some renovations with the house and making it better, thermal installation for example, energy star windows, those things have gone up in price thanks to HST. My basic cable television has gone up, restaurant meals have gone up. These are things that I wanted to do, but there is also a way of life here that I was looking forward to as a retired person and its being impacted greatly. On top of this, I look at you know, entertainment and so on, heavily hit on that category, I want to go to game, hockey game or whatever, that's gone up. Theatre has, live theatre going to the movies has been increased, my golf membership has increased, medication over the counter, vitamins has increased due to that, my gym membership has increased thanks to HST. As I said live theatre, admission to...

**Hon. Pat Bell:** [Caller], I'm writing as fast as I can here. I'm writing as fast as I can here, [caller].

So I understand what you're saying was there a key theme around it other than if there's a bunch of stuff has gone up. Well, sorry I may have lost you. That's okay, [caller]. I'm got to try and respond as best as I can. I apologized for jumping in there, I guess we probably lost you as a result of that so I apologize for that.

You have quite accurately pointed to many of the items that have increased in price as a result of the implementation of the HST. One of the things that we are trying to understand from people is where would be the priority areas be. Are there specific items that you think HST should be removed from or conversely, would you like to see a reduction in the rate or would like to go back to the PST system that is duplicated with the GST system and there's challenges with the recourse and I'm happy to talk about that, but the items that you pointed to represent the bulk of the additional costing. Just as a rule of thumb, roughly 80% of your spending will be unchanged and about 20% of your spending will have the new HST the incremental 7% HST on it. **So that is a role of (??) issue a bit of a flavour.** It doesn't sound, [caller] like you would fall, but perhaps for some of the low income supports, but there is low income support available as well. The range is \$230 per person in a family. So anyway, I appreciate your comment, [caller]. I'm sorry that I jumped in there so if you did have some specific thoughts that you



wanted to add, just go to [www.hstinbc.ca](http://www.hstinbc.ca) and make sure you register your comments, sir. Let's go on, Marisa.

**Moderator:** Thanks, Minister. We have a number of callers who were wanting to ask a question about the HST and the rate of the HST, whether it could be a little lower than the 12% and [caller] has a question. [Caller], are you there.

**Caller:** Yes, I am. Basically, my feeling when the HST first came out was that in taking the existing 7% PST, putting it together with the existing 5% GST and then presenting a 12% HST, that was a critical mistake. I think British Columbians would have been far more accepting of it, it could have been like a combined rate of 10%. And the other thing is, I think part of the opposition to the HST is that at every turn, we are getting gouged. You know, whether it's a 113% tax or marked up on wine. So you know a \$6 bottle of wine in the US that's just across the border is a \$21 bottle of wine here in BC. Or the latest, I think, is from ICBC, oh, you had a speeding ticket once in the last 3 years knowing full well that you know there's many highways in this province where you know, where the natural flow of traffic happens to be higher than what the post to speed limit it. You know, so the most dangerous thing you do is slow down, block up traffic, oh you know, you don't get a speeding ticket but you cause an accident.

It's those kind of things where everywhere we turn around, we are getting gouged and that's the thing is that you know people are so struggling to make ends meet in terms of affordable housing, in terms of gas prices and everything else that the government in every turn is slapping us with fine, fees, taxes, etc. and I think you know at some point, government has to say okay, we're got to live within the means of the people, let's have a combines 10% HST rate. I think that would be far more acceptable.

**Hon. Pat Bell:** Thanks, [caller] and I want to touch on a couple of things you said there because they're important. First of all, I acknowledged and understand that your recommendation is to go to the 10% HST rate so I'm going to put you down for that in my notes here so that I can keep track of what people's priorities are.

You did mention a couple of other things. I just wanted to - the speeding thing is important because it's been in the media a bit lately. My colleague, Shirley Bond who is the Solicitor General has been very, very public in saying that she is uncomfortable with ICBC taking that approach. I know that even today, she met I think with the CEO of ICBC and is dealing with that. So not that any of us should have speeding ticket but certainly a single speeding ticket doesn't reflect that an individual as bad driver so I think that's being dealt with.

Taxes are always an issue and each point that you reduced the HST translates into about 800, 850 million dollars. So as we move through our thinking on this, we have to take into account what areas would we deal with either reduced spending, increased deficit or potentially increased the taxes in other areas. **So it.to get always.its a big haul.** It's a challenge, 850 million dollars represent, you know, about 2%, 2.5% of our provincial budget and we have to find ways of filling that.

But thanks, [caller]. I appreciate your call and I hope you stay on the line this evening.

**Moderator:** Thanks, Minister. [Caller], is on the line and he has a question about the HST and revenues to the province. [Caller], are you there?

**Caller:** Hello.

**Moderator:** Hi, [caller]. Please go ahead and ask the question.

**Caller:** Well, I'm just kind of concerned that there's a lot of callers phoning in and nobody wants to pay more taxes but nobody is actually suggesting where we would replace the public funds that come from the taxation. So I'd like to hear people maybe come up with suggestions to better this rather than just complaining that they don't want to pay the taxes because we need the money to support everyone. Thank you.

**Hon. Pat Bell:** Thanks, [caller]. Thanks for calling in this evening and being on the line on a nice sunny Victoria evening. So you are absolutely right, there is a huge cost of going backwards in the net revenue loss in 2013/14 is over half a billion dollars and it grows after that. Unfortunately, it doesn't get smaller and those are all dollars that of course going to important public service just like healthcare and education and transportation and even into a little bit into my Ministry in terms of trying to build the economy, jobs and support tourism. So you know, we have to, when people mark their ballots, what I am committed to doing is making sure they have the best possible information. There are consequences to both option, whether we choose to stay with the HST, whether we choose to go back to the PST/GST system, there are, there are reasons for both of those and I'm not got to tell you or anyone else how to vote this evening. What I do want to make sure is that people have information and half a billion dollars is a big amount to replace on the first year.

**Moderator:** Thanks, Minister. [Caller] is on the line and he has a question about renewable fuel and the HST. [Caller], are you there?

**Caller:** Yeah. Hi, I'm right here.

**Moderator:** Yeah, please go ahead.

**Caller:** Sure, yeah. First of all, I'd like to say that I begrudgingly actually accept the HST. I think it's better to have a tax that just needs one group of people to maintain it, a little cheaper that way. But my question I guess is around stuff like taking vegetable oil and making bio-diesel in that for the thing and I'm wondering why that's tax but yes, taxes have been lowered on regular fossil fuel that don't have a renewable component. So and then there's a larger sort of theme where I think if we chose to go with the tax like in HST and to keep this, is there some way that people can be involved with the choices of what's taxed and what's not taxed? and that's basically my question.

**Hon. Pat Bell:** All right. Thanks, [caller] and yes, there absolutely is a way of being involved in determining what is and what isn't tax. [www.hstinbc.ca](http://www.hstinbc.ca), I know people are getting tired of me saying that but that's the website and there is a survey form. Now I need you to know that that's only open till Monday as we're going to need to make decision, in terms of what options we're going to provide to the

public prior to the referendum date, fairly quickly after that. So if you're interested in providing such suggestions around renewable fuels and that sort of thing, I think that would be great.

I think what you will find if you look at the **renewable fuel issue is there is no actual HST on that fuel**. In fact, there would be no carbon tax on that, I believe that the federal government 5% will be there so it will still say HST but its only 5%, its not 12% so we exempt it - renewable fuels. I think what you may be talking about is some of the **other taxes that are associated with renewable fuels** so with any fuels for that matter so kind of what we used to call the road tax component of that. Again, if that's an area like you think is important, we'd appreciate your feedback. The website has been great, lots of people are providing us their ideas. It's a good source for us prior to make our decision and say here's what we think we can do with the HST. It's a good opportunity to make sure your voice is heard. So, good comment, [caller] and thanks for being on the line tonight.

**Moderator:** Thanks, Minister. [caller] has a question about the HST and exemptions. [Caller], are you on the line?

**Caller:** Yes, ma'am.

**Moderator:** please go ahead and ask your question.

**Caller:** My question is, I think what, Minister Bell, what is really angered British Columbians is the fact that, I fully support having the tax managed by one single source, but I think what British Columbians are so displeased with is the fact that we got rid of all the exemptions for the standard consumable. Today alone, just with the threat of the price of the increasing gas, with the tax on food, on consumables, I think that's what's made British Columbian resent the HST. I don't think most British Columbians are **against having a source that of one pot but I** think what's really is these other price has keep going up and yet we still have that fact.

**Hon. Pat Bell:** Thanks, [caller] and a couple of things you kind of were mentioning there.

Fuel, and I know the price of gas is going through the roof right now and as Minister of Tourism, I'm very concerned about that because we're coming into some tourist season which relies on people driving around. But as I pointed out earlier, there is no... the provincial portion of the HST does not apply to fuel so there is no 7%. The feds do continue to charge their 5% to GST and actually shows this HST but there is provincial component. Food, grocery stores, of course no changed there. If you weren't paying GST your not paying HST now. So others, a few products perhaps you know a cooked chicken, a few things like that, by and large what you'll find in grocery stores is still intact.

Your point, around having a single collector, I think it's very important. You should know that that represents a savings annually of \$30 perhaps upward to \$35 million dollars per year. The staff that we're doing that work previously went over to the federal government. There wasn't a direct loss of staff and they are doing other work, but there is that savings. And there's a big savings for small business. If you look at business across the province, the estimate savings for business and not having to do the paperwork associated with the PST is a \$150 million dollars a year, that's enormous. That is a significant

savings and reduction in cost that those businesses will have to, have to absorbed otherwise. So you know, your comments are all good. [caller], we understand that people are very upset but I do want you to know that this is a brand new government, Premier Christy Clark has mandated a very open accountable family first government and that's why we're doing this town hall. Its impressive, the numbers of people. I don't have to dial in tonight, yeah, I will shortly and will let people know how many we have online. But I can tell you I did on in the Okanagan earlier in the week. We had 31,000 people attend that. I did one in Central or Northern British Columbia last week, we had 23,000 people want to know the information and I really like this tool. I think it's working very well. So Marisa, let's move on again.

**Moderator:** Thanks, Minister. We had actually a queue, thousands of people join us just in the last few minutes. So, just a reminder, if you'd like to ask Minister Bell a question about the HST, press star 3 on your keypad. And right now, Minister. We're looking at about 15,000 attendees so far on this hall tonight. [Caller] has a question from the perspective of someone involved and not for profit. [Caller], are you on the line?

**Caller:** Yes, I am. Hello, Minister. Yes, thank you. Yes, I'm a member of an artist cooperative and we were collecting one tax, but now we are faced with collecting HST. It is extremely burdensome for us as a not-for-profit gallery and all the artist are suffering from this. You know, it really makes people think about buying art when they have to pay that tremendous amount of tax. So we were exempt before, partially and I'm just hoping that we can again be exempt as not-for-profit gallery. Thank you.

**Hon. Pat Bell:** Thanks, [caller]. Thanks for dialling in this evening, [caller].

Generally speaking, qualifying not for profits are exempted, but in your situation, I will just take it that they say you - I don't know the business specifically - but I'm sure you're correct in your assessment. This is the type of thing and you know oftentimes, it's issues like this that people find really offensive, that they would like dealt with and so that's why we're on the line tonight and I want to know what the key issues are for you that we need to consider is. We contemplate the changes that we can make to the HST system and advised the public and then say this is what you're looking at, we decide to keep the HST if you want to go back to the PST system then this is the model that you're looking at. So [caller], I'm got to put you down as someone who believes we should be eliminating the provincial components of the HST on artist cooperative. It's another sort of cooperatives that are generally non-profit so I appreciate the comment and I'd encouraged you to go to [www.hstinbc.ca](http://www.hstinbc.ca) to make sure that you are registering your comment as well.

**Moderator:** Well thanks, Minister. We are about halfway through the call right now. We're looking at about 16,000 attendees and some of you have just joined in the last little while so we just like to take a few minutes, Minister. Perhaps, you can make a few comments to the audience before we take more questions. Minister?

**Hon. Pat Bell:** Thanks, Marisa and thanks everyone for dialling in. My name is Pat Bell and I am the Minister of Jobs, Tourism and Innovation for the province of British Columbia previously the Minister of Forest and tonight we are here to listen to your thoughts on the HST. You've lived with it now for 10

months - what's working for you, what isn't working for you? What concerns do you have and what information would you like? I'm not here to tell you it's a good thing or a bad thing, I am simply here to listen and to understand the challenges that you may be facing around the HST.

When Christy Clark was elected as our Premier and as of yesterday, she's now an MLA designate. She was elected in the riding of Vancouver Point Grey yesterday as many of you will know. She committed moving the referendum from September up to June. So on, or prior to, June the 24th, you're going to receive a ballot in the mail that's going to ask you whether you would like to stay with the existing HST or go back to the PST/GST model. It's a very simple question, it was developed by Elections BC and it's the one that we are committed to moving forward. You will have some time to decide how to fill out your ballot but it must be in the hands of Elections BC by July the 22nd. Now, for many of you, you live in, this call is going out this evening for the Capital Regional District, so you live quite close to Elections BC but I wouldn't want you to delay too long. I know I'm got to be filling out my ballot and sending it in much earlier so that it is in, in plenty of time for the July 22nd deadline.

There's a number of ways that you can get more information on the HST. We've actually launched that campaign today that is strictly factual information and directing you to go to a website. The website is [www.hstinbc.ca](http://www.hstinbc.ca). It has a wide variety of information that is simply factual information. It also has a copy of the recently released independent panel report on the HST and you can read that as well if you like. Also, on June the 8th here in Victoria, Camosun College, the Lansdowne Campus from 7:30 to 9. Camosun will be hosting a public dialog forum and that will be another great way for people to get information that is not partisan and presented in a very open way.

Finally, in early June, you'll be receiving a voter's guide package. That will have a variety of information in it. There will be a summary of the independent panel on HST. There will also be comments from both the pro and con side of the HST. So it's a very non-partisan document that will help guide you in making your decision on June the 24th. This is absolutely critical and if I have one wish for all of you, it is to make sure that you are as informed as you possibly can be on the HST. There is much information floating around out there that is not factual, that was clearly stated in the independent panel report and this is like huge decision for all of us in British Columbia, whether we stay with the HST, whether we go to the PST/GST model is ultimately up to you. My goal is to make sure you have every possible bit of information in your hands that you can in order to make sure that you make the decision that's right for you and your family. So Marisa with that, let's go back to the questions.

**Moderator:** Thanks, Minister. Were going to take one question and then we're going to the first of our feedback question. So, [caller] has a question that a number of our callers would like to ask and it has to do with - if the HST is defeated. So [caller], are you there and please ask your question.

**Caller:** Yes, I am. My question is if the HST is defeated, will the PST components still apply to items that it did before. For example, we just had the dog, surgery done on the dog \$4,000 and this increased the cost by \$280. Now if the HST is defeated, will the tax be 5% like it was before?

**Hon. Pat Bell:** Well, [caller]. You must love your dog as much as I love my dog if you spent \$4,000, I know we would do that. We've got a beautiful malamute so family pets are important to all of us.

I don't want to give you incorrect information, what I will say is that there will be a significant gap in our budget and those decisions will need to be made and it will be made in a very open accountable public way if the decision is to go back to the PST/GST model. So previously, as you recall, the PST was 7%, it was on about 80% of your purchases and about 20% of your purchases were exempted and including veterinary fees. So we would have to consider that, we consult with the public, but we will make sure that you have a good grasp of what the implications are.

In the first year, [creates] a hole of about a half a billion dollars in our budget. The provincial budget is about \$40 billion dollars and then that number grows over the years so it represents about 2 or 3% of our total revenues to government if we were to rollback to the PST model. Of course you really have 3 options in terms of what you can do - you can either increased your deficit, or you can reduce services ,or you can increase taxes or a combination of those three things. So [caller], I know that question is on a lot of people's mind and I hope at least I've been able to provide you with a bit of an outline of what we would have to do.

**Moderator:** Thanks, Minister. We now have the first of two feedback question to get your thoughts on the HST. I'll be asking you to select an answer by pressing a number on your keypad. Now please listen carefully to the options, I will read the question and the answers twice. So here is the first question for tonight. Government HST revenues increased faster than PST revenues would have because the tax base for HST is broader. If you could only pick one way to use any additional HST revenue, which of these would you choose. There are 3 options: increased spending on healthcare and education, press 2; reduced British Columbian's tax burden, press 3; provide additional support to families with children, press 4.

A reminder if you would like to ask question with Minister Bell on the HST, please press star 3 on your keypad. It's as easy as that.

So we'll go back to our audience and take another question. [Caller] has a question relating to the HST and things that we can do to actually make it healthier. [Caller], are you on the line?

**Caller:** Yes, I am. Thank you. I was wondering why activity that improved your health and maybe keep you from having prescription drug are being heavily taxed with the HST such as Tai-chi, yoga and those things. That was one alternate.

**Hon. Pat Bell:** Thanks, [caller] and thanks for calling in this evening.

So this has been I won't say for common theme, but it is certainly something that I have heard on several occasions and you should know that Premier Christy Clark in her platform document when she was running for leadership did commit to looking at ways of helping support people who want to lead healthier lifestyles, tax reductions perhaps tax credits perhaps towards people who want to get involved with different sports and activities, some of the ones that you mentioned this evening.

So you know, these are important things that its one of the areas that I believe strongly and that we need to live healthier lifestyles. I have a personal commitment to that myself. I make sure I run on a



regular basis so I think those are all good suggestions, [Caller] and I'm going to put you down as a supporter of eliminating the HST component to the provincial component on healthy lifestyle, choices that encouraged physical activity and encouraged you to go to [www.hstinbc.ca](http://www.hstinbc.ca) and also register that views so that we have it log in to the larger database. Well thanks, [caller] and I appreciate the question.

**Moderator:** Thanks, Minister. We do have a number of calls from... I was going to go to a question about children's clothing but I think we lost that person so we're going to now go to a question from [caller] about how the HST was introduced. [caller], are you there?

**Caller:** I guess that would be me. Yes, hello.

**Moderator:** That's you. Please go ahead.

**Caller:** Yeah, thanks for the opportunity to speak tonight. Number 1, as you probably heard from some other folks, I am up in arms basically over the way the HST was introduced. And then going back to the provincial election, I thought it was sleazy to say the least. I understand the HST process, I guess my one main question is you're now collecting more revenues than you ever had before, provincially, federally and why can't we go back to where we were before and maybe we need to look at less government services?

I know that's probably not a happy thought for some people, but a leaner way of operating. I, for one am retired. I'm so ticked off with the whole process that I have in my retirement have the ability to be out of the province for a couple of weeks with my wife. I go down to the States, I purchased whatever I need down there in the way of just about... I did some kitchen renovation stuff and brought all the product back up and just to get around, I guess really basically, I'm not supporting the BC economy anymore. I have not eaten at a restaurant here, excuse me once, since the HST has come in and I'm only one of many. Thank you.

**Hon. Pat Bell:** Thanks for calling [caller] and I know that you along with many others feel like we did an absolutely awful job of the HST and many people feel exactly like you do. So one of the reasons why we decided to do this is with our new leader, with Christy Clark, she believes that we need to have a very open accountable session around the HST. That we make sure that we're available to people to hear their questions, to hear their thoughts like we've heard from you this evening. So you know, I think that we are where we are, I can't wind the clock back. I probably would if I could but I can't, so I won't.

However, I can listen to you to make sure that I understand what you're interests are, where you'd like to go and how you'd like to deal with the HST. Some of the things I think I'd like you to just think about a little bit as you contemplate your decision on the 24th is, are we better off with the single tax system? Or are the merits of having a dual tax system outweigh the benefits of having a single tax systems? So clearly, costs associated with building a tax system 30 to 35 million dollars per year lost revenue, more complexity for personal business and so on. [??] *The bud in terms of how we implement the tax more flexibility there.* So there are pluses and minuses on both sides of the equation and as a senior who is going to, I'm sure, enjoy our healthcare system over the coming years, it's important to [caller] know we're going to pay for those services that HST is where I'm in. And I have to tell you, come on [caller],



you know, in support our local guys. I just want to, in particular our forest industry, that you want to make sure that the people keep working so I hope that you can stand down your boycott at the restaurant and the home supplies stores in Victoria think about supporting local business again. So, Marisa with that let's move on.

**Moderator:** Thanks, Minister. We're about half an hour left in the call and after we take this next question, we're got to go to the second of our feedback question. [Caller] has a question relating to the HST in seniors. We've got quite a few callers who are asking about that and so [caller], are you there?

**Caller:** I'm here.

**Moderator:** Please. go ahead.

**Caller:** Yes, I don't have the question really. It's just a comment. **We're retired and to be honest we haven't noticed one difference in our tax,** bills or anything at all. It's non-existent, so I don't know what all the complaints are about except personal things I guess and I don't see any chance of going back, it would be foolish. So I'd say just keep doing what we're doing but on the other hand, let's not race at anything, could drop it a point or two maybe but, that's probably counter productive too. I'd say just keep what we have and get on with the show.

**Hon. Pat Bell:** Thanks very much, [caller] and thanks for your call this evening and you know we do hear from lots of folks that **although there are parts of the HST they don't like that they do think in balance, it's a good thing** and are going to be supporting it. And clearly I think that's where you are - is that you would like to see a reduction. Over all your view is that it's a positive thing. So Marisa, let's go onto the next call.

**Moderator:** Thanks, Minister we will, but first of all I'd like to do the second of our feedback question to get your feedback on the HST. So again, I'm going to read the question and answers twice. Again, select your answer by pressing a number on your keypad. So are we ready? Here's the question - If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose. There are 3 options: increase the PST rate, press 2; raise income taxes or other taxes, press 3; run larger deficit, press 4, Thanks to everyone who provided the feedback on the feedback questions tonight.

So now let's go back and take some more questions from the audience. A reminder if you'd like to ask Minister Bell a question, please press star 3 on your keypad.

So we do still, Minister, have a few questions relating to what happens if the HST is defeated and [caller] is on the line and he has such a question, so [caller], are you there?

**Caller:** I am indeed. Good evening, Minister Bell. First off, just here to say I appreciate the fact that you're doing this. It's unfortunate that it wasn't done before the imposition of the tax but nonetheless, here we are tonight.

Minister, my question pertains particularly to the, I believe it was approximately 1.3 billion, you can provide the exact figure, I'm sure that was provided by the federal government for the transition of the PST to the harmonized tax. Is that amount payable to the federal government? Your poll just kind of alluded to where I was going with it. What is the game plan to make up that short fall of 1 point somewhat billion dollar?

**Hon. Pat Bell:** Thanks, [caller]. So the number is \$1.6 billion dollars the federal government provided us with transitional funding. We took that over 3 years to last this year and next year or the 3 years that we're dividing that money up that's deemed to be the best used of the funds.

The deal that we have with the federal government is that if we go back to the PST model within 5 years, that money is owed back to the federal government, the \$1.6 billion dollars would be repayable to the federal government and the cost of that, just to give you a bit of a flavour, in annual interest is about \$85 million dollars - in that range.

In addition we will have to rebuild the public service that used to provide the collection services and billing services for the PST model and that's about \$30, \$35 million dollars per year. So to give you a bit of a flavour, just interest alone and the cost of rebuilding the system you know in \$120 million dollar range per year. The 1.6 billion would likely goes straight to debt so we would have that incremental cost associated of the \$85 million dollars a year in the interest to deal with. So I hope that answers your question, [caller] and it is a significant cost if we choose to go back.

**Moderator:** Thanks, Minister. With [caller] on the line and she has a question about the breakdown of the HST would work out. [Caller], are you there?

**Caller:** I am.

**Moderator:** Please go ahead.

**Caller:** Okay. Hello, Minister Bell. [Caller] here. I have a question of which I have directed to several companies who provides services and charged PST, a retail purchased tax on service that I was told usually should only be charging a GST. As an example, I'm talking about one of the cable companies. As a retired person, my at home entertainment is important to me and on a restricted budget, the cost of that entertainment is important. When I questioned that cable company why there were charging PST along with the GST because of the harmonized tax, I find a lot of these companies have very little expertise in the explanation. I would passed around the lot, I even called head office in Toronto to one of the cable companies and again was avoided. The only answer I was given in response to my question was that they're collecting on behalf of the government and that's all they know. So I would suggest that a lot of these companies could be a little bit better qualified in explaining to their customers what they're doing and how they're doing it for the public and I'd like to know why PST, our retail sales tax is served or charged on a service like a cable service, if you could maybe elaborate on that for me, I'd appreciate it.

**Hon. Pat Bell:** Sure thanks, [caller], Appreciate you being on the line this evening.

So the cable service is one of the services that did not previously have PST on it and now does have the provincial component of the HST and I'm sure that's what you're referring to. So it does have that incremental 7% charge on it. On average for your spending and obviously this can be by individual, about 80% of your spending should remain the same as it was previously and about 20% of your spending should have the incremental 7% on its as a result of the HST.

I think you're point is a good one on that something of the nature of cable vision particularly for people that rely on that is one of their primary source of entertainment. That incremental cost is hard to bear, I'm going to put you down as an individual who thinks that we should remove the provincial portion of the HST from cable TV and if you do have an internet connection and are online, I'd encouraged you to go to [www.hstinbc.ca](http://www.hstinbc.ca) and register that as well. So, thanks very much. It is a broad base tax that applies to all different goods and services, but I understand your concern and I'm got to mark you down as somebody that thinks we should consider exempting cable vision.

**Moderator:** Thanks, Minister. [Caller] is on the line and she has a question around the consumption taxes versus income tax. [Caller], I hope I pronounced your name correctly. Are you there?

**Caller:** I'm here.

**Moderator:** Please go ahead.

**Caller:** Some of the economist ,or at least what I was told, that they all say consumption tax is better than income tax. Can you hear me?

**Hon. Pat Bell:** No you better again...

**Caller:** Okay. And I can see that could be better for a manufacturing economy like Ontario where they export things, they charged HST for us but they don't charged HST on what they're exporting but if all we're exporting is rolled up I don't see it as being a benefit in BC. So I would like your explanation of why consumption and service tax is better than income tax?

**Hon. Pat Bell:** Thanks, [caller]. I appreciate your question, I appreciate you staying on this evening as well. So one of the thing that's important to note is when you pay tax on your consumption, the more you spend, the more you pay. So, higher income earners clearly pay a much greater percentage of the HST than moderate or low income earners. So in fact, if you look at the independent panel report what you'll find is the people that have an income of over a 100,000 dollars, which is relatively small group of people, pay above 40% of the total HST. So it is a fair tax in the sense that the wealthy pay more, those that don't have much money and don't have the spending pay very little or in some cases they may be ahead of the game because of the HST rebate. Income taxes conversely ends up taxing you on profits or on the efficiency of your earning power and that historically, according to economist, it doesn't matter which one that you talk to, you know it could be that actually an economist from the Canadian Center for Policy Alternatives who is not a group that is politically aligned with us. In fact they're politically aligned with the opposition party here in British Columbia and what we very quickly discovered is that she in fact supports the HST model, it is a better tax. She disagrees with the some of the ways it was

implemented and on that basis, would like to see some changes but even the Canadian Center for Policy Alternatives believes that the tax on consumption is a better than tax on income and that's broadly held belief amongst economist. I'm not an economist by the way.

**Moderator:** Thanks, Minister. [Caller], has a question about the HST tax on used vehicle. [Caller], are you there?

**Caller:** Yes, my question relates to when the HST was brought in, the tax on used vehicles privately, so used vehicles, airplanes and boats was raised to 12%. I thought was it was just me, but my understanding is that it is an additional provincial tax where the provincial government has added another 5% to the 7% they were already charging to the provincial tax as opposed to HST. I want to confirm if that is correct and then secondly, if in June the population of British Columbia votes against the HST, will that go back to the 7% PST.

**Hon. Pat Bell:** Thanks for the question, [Caller] and thanks for staying on tonight.

So you're description is accurate. I can confirm that what you have suggested here is correct. That at the time of the implementation, it was chosen that we would level the playing field with dealerships so the tax, the incremental 5% creates a 12% tax overall and those funds do go to the province not to the federal government.

In terms of your second question which was - will we go back if due to a system that doesn't involve that 5% - I can't confirm that, I don't know for sure. As I mentioned earlier on in the call this evening, if we do choose to go back it would leave a hole in our budget of about \$550 million dollars in the first year, escalating over time approaching a billion dollar over a number of years. So what happens next is some conscious decisions, we would involved the public in that, we will make sure that everyone knows what decisions were facing. Earlier on tonight, I'm sure you participated in a poll that asked the question, you know how would you deal with that issue, would you reduce spending, would you look to the increased taxes or do we increased the deficit. So there's kind of 3 options or a blend of those 3 and we would have to determine what the correct approach was and we do that in consultation with the public.

**Moderator:** Thanks, Minister. We got about 20 more minutes in this call. We're going to try to get in as many questions as we can. [Caller] has question relating to the HST and spending habits. [Caller], are you there?

**Caller:** Yes, I am. Hello, Minister. I would just like to say that I am not against the HST. I think a single tax is better. I think the discontent was not because of it being a single tax but because people thought they were being taxed more as a result and the implementation. So having said that, my question is in the 10 months since we've been paying HST, has the government actually tracked whether the public spending habits have changed? Because if the spending habit have not been changed, then the discontent is more perceived than an actual hurt to the public. If I'm actually stating that appropriately.

**Hon. Pat Bell:** Thanks, [caller]. I do understand what you're saying and I can tell you that the independent panel report that was released earlier this week shows that although there was initially

some impact on implementation, that impact really lasted from the beginning of July until mid to late October, early November, something in that range. And then at that point, things levelled up with the rest of Canada. So there was a bit of a gap that lasted for 4 or 5 months or so and that was inclusive of the restaurant industries and kind of all different businesses but since then, since the end of October, beginning of November spending is pretty much on track with the rest of Canada.

**Moderator:** Thanks, Minister. We have a question about just how the government chose the areas to implement the HST on. [Caller], are you there?

**Caller:** Yes.

**Moderator:** Hi, [caller]. Please go ahead.

**Caller:** I was just wondering how they chose what services and are you choosing some of the things that previously didn't have any tax on and how you went about choosing those things? Because to me when I look at the list and I see things that are good for the environment and energy, more energy efficient cars having HST on them now and bike helmets and smoke detectors things that seeing, like things you should be encouraging people to buy rather than just discouraging people to buy. I wonder how you guys went about choosing the products?

**Hon. Pat Bell:** Thanks, [caller]. It was a bit of an inverse decision process.

So the federal government, as part of the agreement that we have, allowed us to exempt up to 5% of the value of collection. So we were allowed to choose up to 5% by value and say we want to exempt that particular item from HST and that was from the federal government's perspective. It help streamline their bookkeeping practices and makes it simpler for them to operate and that's why they restrict it to the 5%. That's why it's a normal practice they require that of other provinces that it converted to the HST model as well. So, the decision was based on we're allowed to exempt up to 5% and how do you choose that 5%.

BC decided to go with some things like more vehicle fuels, on heating fuels, natural gas, oil and so on. We had other types of exemption that we were able to bring too, so didn't leave us a lot of room. New homes sales was an issue as well that we have to deal with and that was I think wanting it because of the size of the new home market here in British Columbia. So what we did was try to go to the things that we believe were most important - children size clothing, books, some of those types of items but as a result of the call this evening, we are considering our options and looking at what else we should be thinking about exempting.

So I know you can't get back to me now and tell me what items you think we should exempt. I did hear you talk about things like fuel effecient vehicles, hybrid cars, that sort of, bicycle helmets, so I've got to mark some of those down in my notes but I'd encouraged you to go to the website which is [www.hstinbc.ca](http://www.hstinbc.ca) and provide your comments there because we'll be incorporating those suggestions and that will close off on Monday so need to do that over the next couple of days. Thanks, [caller].

**Moderator:** Thanks, Minister. [Caller] is on the line and with the question around how the HST was introduced. Are you there, [caller]?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Okay, Mr. Minister. By the way, I want to compliment you on how well you're handling the answers and that it really is helpful and too bad that you weren't in on the onset of HST. But if HST was such a fantastic tax why did your liberal government, at the last election, say they would never introduced it? And if such is the case, how can we trust that you're going to make the changes that you're now talking about. Thank you

**Hon. Pat Bell:** Thanks, [caller]. Appreciate you calling in this evening. So I think in a nutshell, I'm not got to try and kind of revisit the 2009 election. I know people have strong emotions, feelings about that. What I do want to tell you that we are under new leadership now. Christy Clark brought with her a commitment to change.

As you know, she was a radio talk show host for 4 or 5 years with CKNW. She got to be a pretty good listener through that period of time. She understands that listening to people is absolutely critical, understanding what the issues are and how we can deal with the most effective way. I can tell you that I've really enjoyed the last couple of months working with Christy. It is stimulating, she is an exciting person, she's got lots of great ideas and I think tonight's town hall meeting is an example of one of those.

You know, what I can tell you that there's about 17,000 participants in tonight's call so congratulations Victoria, you should be very proud of that. The fact that as many of you have decided to participate in this town hall, I think is great. So [caller], I'm not going to defend how this was implemented. I understand people are angry about that. I will tell you that we have a new government, that we are going to be held to account and that we are going to make ourselves available, as I am this evening.

**Moderator:** Thanks, Minister. [Caller] has a question around the HST and service related industries. [Caller], are you on the line?

**Caller:** Thank you. Thank you, Mr. Minister.

I'm a little upset because I'm a small business person in the food business. I feel the tax was implemented very unfairly and that the total restaurants and small business was tax exempt on the food. The grocery stores today are still, the deli stores tax exempt, yet the restaurant businesses are imposed with the tax. On my contributions to Ottawa and I'm a very small business man, it has increased 3 times what I was sending before. You have eroded my volume because the traffic is down, contrary to that the price of gas is up which reduced traffic and you've also curtailed my ability to hire people which I normally would hire another 10 or 12 people over the Summer month's. You have also eroded my bottom line because I have to stay competitive, I have to create specials to bring the traffic in and quite frankly, it has affect my overall business tremendously. Thank you.

**Hon. Pat Bell:** Thanks, [caller] for calling in. You know as someone who's been in the restaurant industry myself as well for over 30 years, I can appreciate your concern 's you're describing this evening. I know that the restaurant industry is a very, very tough industry to be in, in good times and in tough times even tougher. I can tell you this from my perspective the way I look at it is I know that when the economy is strong, my restaurants will do well. I know you will do well as well when the economy is strong but when unemployment is higher, when times are tougher economically, people won't go out for a meal.

So our goal is to make sure that we have the strongest economy that we can possibly have and one of the things economist will tell you is that consumption tax like the HST will help support economic growth, the independent panel report that was released earlier this week suggested you know in the order of 24,400 new jobs, a couple of billion dollars incremental GDP activity over time. So, I know it is tough in a restaurant industry, it is always tough and I do believe that we will see a return to much more positive times for your business and all the restaurants out there regardless of what we do, we're going to see economic growth but under the HST model, I think it can work out over the long term.

**Moderator:** Thanks, Minister. We're down to our last 10 minutes or so. We're going to take another question or two. [Caller], has a question about the roles of federal government when it comes to the HST. [Caller], are you there?

**Caller:** I am. Okay, my question is the provinces have always had the right to collect their own revenues and we are not turning it over voluntarily to the federal government and they're willing to pay us over a billion dollars for the privilege of taking that away from us. What is the win for the federal government that they are so willing to buy our privileged away from us?

**Hon. Pat Bell:** Thanks for that tonight, [caller]. I mean you know I'm speaking for the provincial government perspective. So you know, it is hard for me to fully assess the federal government's position on this. But by being able to have a single tax system and by having a consumption tax or value added tax like we have here, it is pretty clear that it's good for the economy and builds long term economic growth.

If you look at the provinces that have converted to the HST system, the first year is always challenging but once you get through the first year, you start seeing incremental economic activity which helps build the Canadian economy and help support other direct revenues to the federal government so it is about economic stimulation and growth that doesn't help individual consumers. I know people are frustrated about that but from an economic strategy, it's positive for the province and the federal government

**Moderator:** Thanks, Minister. We're going to take one more call and then please stay on the line everyone because you do have an opportunity to leave your comments after this next call. [Caller] has a question about the HST and how it benefits the individual. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.



**Caller:** Yes, I am here. My question is that all the government news releases claim the HST tax shift will boost new business investment. Well, I've been reading on that and I haven't found that evidence and what I have found out is in 2007 from the C.D. Howe Institute, a study done by a professor there, that's study, that one study was what Ontario and BC government relied upon to bring this HST into fruition. And I'm just wondering if there was enough study done by the BC government? I don't remember what that man's name was, his name is Smart and how smart was the Smart Study and I don't know if your government people have read that or you have read that and have you read that study, [caller]?

**Hon. Pat Bell:** No I haven't, [caller] but thanks and you know I think your point is a good one. You're wanting to know how much thought was actually put into the HST prior to making a decision?

I can tell you that we have a group that travels the province, a finance committee before every budget is issued. You may have had the opportunity to participate, you're probably seeing something in the media about it, it's a committee that has brought as government member as well as opposition members, both BC Liberal and NDP member that sit on it and as they travel the province, they hear from communities in terms of what the important things are that they would like to see us do on each year's budget. Over the years and speaking to the chairs of that committee, I can tell you that almost every year, a harmonized sales tax system ends up in the top 5 or 10 items that are requested from the finance ministry in the past. We chose not to go down that path, but because of the economic situation that we were facing in 2009 with the challenges of an increasing deficit, reduced public revenues and increased need to spend on infrastructure and programs to help support the economy, the incremental funds from the federal government, the 1.6 billion dollars certainly made it much more attractive. So we had a flexible system that we're allowed to move forward on but the Smart report is only one of many, many reports that really speaks to the value of a value added tax system. So [caller], thanks very much for calling in this evening.

**Moderator:** Okay. Thanks, Minister and thanks to all our participants. We have racked up questions. Now if you didn't get a chance to comment or ask your questions, you still have an opportunity to do that. Just stay on the line, when the call is finished, your prompt and you'll be able to leave a message. So thanks for participating. Minister, any final comments?

**Hon. Pat Bell:** Thanks very much, [caller]. Just very quickly, if I can leave you one message tonight, it is that this will ultimately be probably the most important opportunity you have in your life to impact tax policy in the jurisdiction in which you live and you need to take that responsibility very, very seriously. So it is my hope that you get as much information as you possibly can, independent information. Don't listen to the politicians, don't listen to the anti-HST people, go to the reliable sources, universities, institutions, independent panel reports, economists and then make your decision on what's right for you. This is huge for all of us, for our children, for our grandchildren and I hope that on June 24th, you take the time out to mark your ballot.

**Moderator:** Thank you very much, Minister. Once again, if you didn't have a chance to ask your question or to make a comment, just stay on the line, when this call has finished, you'll hear a prompt and then

## Check Against Delivery

you'll be able to leave your message. Thank you everyone for taking part in this tonight and thank you, Minister. I now formally close this town hall. Goodnight.

## PEACE RIVER TELEPHONE TOWN HALL SUMMARY

Date: April 27, 2011

Host: Minister of Transportation Infrastructure, the Honourable Blair Lekstrom

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
22,224	9,897	5,878	21	59%	106	17

### Synopsis

Telephone Town Halls on the HST began April 27, 2011 with the Peace River region. This call was the first of eleven regional town halls conducted by Government with British Columbians.

Minister Lekstrom responded to 17 questions and/or comments during this call. Issues that arose from citizens of the Peace region included the following:

- Cross-border shopping in Alberta: there's less tax on goods in Alberta; local businesses are losing customers and business;
- Confusion or disagreement with how the HST will benefit seniors or people on fixed income, young people with families, farmers, or middle-income working people;
- Interest in how Government will navigate, and pay for, a return to the PST and GST system if the HST is rejected in the referendum;
- Appreciation for the interactive public engagement process on the HST; why government didn't pay attention to the public before implementing the HST;
- Suggestions to reduce the HST by 1-2 per cent; suggestions for HST exemptions.

**April 27, 2011 Transcript: Peace River Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST town hall with BC's Minister of Transportation Infrastructure, the Honourable Blair Lekstrom. My name is Lisa and I'll be the moderator for the town hall this evening.

Before we begin, I'd like to give everyone some information on how this town hall will proceed. The Minister will have some short comments and then we will proceed with the live question and answer period. A short word about privacy; this call is being recorded and will be transcribed so if you don't want your ideas, comments or opinions to be part of the transcript of this call, I recommend you remain in listening mode.

In order to include as many questions and comments as possible on this call, please keep your questions short and to the point. If you wish to ask a question, please press star 3 on your keypad. I'll be repeating that throughout the teleconference. An operator will come on the line to ask you a few questions. Please use only your first name when speaking to the operator. We want to hear a wide variety of views and questions from the audience tonight. The operator will make sure we reduce duplication.

After you've spoken with the operator, you'll be queued up to ask you question. When you hear me announce your name, your line will be open and you can ask the Minister a question. After you've asked your question, the line will be muted so the Minister can respond and you will be placed back in listening mode.

Please note, there will only be question and answers during this town hall; we won't have time for a supplemental question as the Minister wants to hear from as many of you as possible. I also ask that you use polite language and be respectful on the call. Anyone using bad language or swearing will be cut off.

Later on the call you'll be able to provide your feedback on the HST directly to government by answering a couple of multiple choice questions. This is not a scientific poll for feedback; rather it's an opportunity to engage you on some important questions about the HST.

Thanks for your patience everyone. We'll do our best. We may not get everyone who has a question or comments for the Minister tonight, but if you stay on the line until the end of the town hall, you will have a chance to leave your comment and record a message. Again, if you want to ask a question, please press star 3 on your keypad.

I'm now going to turn this call over to Minister Lekstrom for his opening remarks. Minister....

**Hon. Blair Lekstrom:** Thanks very much Lisa and good evening everyone. Thanks for joining us on this town hall meeting here this evening. I'm looking forward to hearing what you have to say about the tax and if you have ideas on how to improve it, if it remains, which is an unknown at this point.

The public of British Columbia earned the right to have a say on the HST. I think it's fair to start off by stating that the government recognizes that have we taken the position, starting with tonight, in communicating with the population of British Columbia about this tax; about what the implications are

to individuals, families and businesses. We probably wouldn't be in the position we're in facing, coming in June, but the public of British Columbia made a very clear, very quickly after the government's decision to move to the HST, that a major tax policy shift like this is something they want to be engaged in, they want to have the ability to do exactly what we're doing here this evening.

So I sum it up this way for most people I'm speaking with; I wish government would have begun this process 18 months ago. We didn't. As a government we are where we are today. I think most of you will recognize that when Premier Christy Clark came to office in March, one of the first things she did was to act on her promise to immediately move up the date of the HST referendum from September to June. We're doing that. We're going to a mail-in ballot process versus the going to the polling station. There are a couple of reasons for that. It will save the taxpayers of British Columbia about 18 million dollars - in that range - as well it will give flexibility to people that may not be around on a single voting day.

There are a number of dates that are going to be put forward in the coming weeks. You will note that starting during the week of June 13th ballots will be mailed out to homes around the province. By June 24th, mostly you should have your ballot, July 22nd is the deadline for ballots to be received by Elections BC and on July 25th the ballot count will begin.

Tonight, what I would like to do is listen to you. I will do my best to answer the questions. If we do have technical questions that we're unable to answer on tonight's call, I'm going to encourage you to visit the website at [www.hstinbc.ca](http://www.hstinbc.ca). If that doesn't help, then feel free to give my office a call at 250-387-1978 and we'll make sure we get the information and the answers you need.

Two things we want to accomplish here tonight, I want to hear what you think about the HST; about the implications - we've experienced it now for close to 10 months - as a province and as individuals and businesses. The second thing I'm interested in is... I want to know whether you have the information you need, as a result of this call and other avenues, to make an informed decision about the HST when we go to the upcoming referendum.

It's very interesting I think, again, it would be fair to say, and I'm a British Columbian first, everybody has an opinion. The important thing is that we have an informed opinion before we cast this ballot. So with that, I just want to assure you that all of the feedback we hear this evening, and as we go through this process - we're starting in the Peace region tonight - it's our first telephone town hall meeting on this issue. We're going to include every region in this province. What we hear, we're going to take that feedback and we're going to determine what options we have from the ideas that are presented to us here this evening. So with that, let's get started with the first question, and thank you again for joining us here this evening

**Moderator:** Thank you, Minister. I'd like to remind everyone again, if you want to ask your questions, please press star 3 on your keypad. So we're going to take our first question. We have [Caller]. [Caller] from Fort St. John and he has a question about your position on the HST and how it changed over the last 18 months?

**Caller:** Hi, Blair

**Hon. Blair Lekstrom:** Hi [Caller],

**Caller:** You know, a year, 18 months ago, you had a very strong position on the HST and now that seems to have changed dramatically and I'm just curious you know what's new, what's changed your position?

**Hon. Blair Lekstrom:** All right, thanks. I think that's a great question to start. Actually, my position on the HST hasn't changed. I go back to 2002 when I first chaired the Finance Committee in British Columbia and began learning about the HST through presentations.

The reason I made my decision last June to leave government wasn't because of the HST as a tax policy, it was because of government's unwillingness to go out and engage the public. The decision was made with the best interest of British Columbians and mine, there was no malicious intent. Everybody was caught up in the global economic meltdown including our government and our province.

The decision was made, I think, in too much in a cocoon. I was part of that decision though so I won't sidestep that, but it became clear very quickly after that decision that the public said, 'hold it; this is a major tax policy shift. We want to have some say in this; we want you to engage us; we don't think you went about it properly.' I agree with not only the residents that I represent up in the Northeast but with all British Columbians. I took the approach with government that, you know, I support the public on this; I think we should put the brakes on, go out and engage the public before we implement this, and that was the reason I stepped back from government.

So what we're doing tonight and through the next while is talk about what the HST means with the public. We'll host these town hall meetings, we'll send out packages of information. I wish we would have done this 18 months ago and I wouldn't have made the decision I made last June, to be honest with you. So, that's it. So if there are - and I've had a couple of people say, 'your position has changed on the HST' - as tax policy, I think it's sound tax policy. It does impact us in different ways - about ballpark 17 to 20% of the products that we never used to have - the PST now has the HST on it. So it's good tax policy. I think it can be improved and that's what I think we're going to hear from you out there. But I want to reiterate my position hasn't changed. I've always - going back to 2002 - thought the HST was a good tax policy. The one we have before us today, do I think it can be refined and made even better? Yeah, and that's it for today. At the end of the day, this is going to be up to British Columbians to decide. So [Caller], I hope I answered that for you. If not, I'm sure you're going to give me a ring at my office in Dawson and we'll continue the discussion. Thanks though.

**Moderator:** Thanks, Minister. Our next question is from [Caller] in Dawson Creek. [Caller] wants to know about the advantages for the ordinary person. Sorry. Our next question is from [Caller] in Dawson Creek and she has some questions about small business and taxes. Go ahead, [Caller]. Sorry about that.

**Hon. Blair Lekstrom:** Hi [Caller],

**Moderator:** Are you there? Okay. So our next question will go to [Caller] in Dawson Creek and he wants to know about the advantages for the ordinary person on the HST. Go ahead [Caller].

**Caller:** Hello

**Moderator:** [Caller]?

**Hon. Blair Lekstrom:** Hi, [Caller]

**Caller:** Hello?

**Hon. Blair Lekstrom:** Hi...

**Moderator:** Go ahead [Caller].

**Caller:** I'm not getting you.

**Hon. Blair Lekstrom:** [Caller] can you hear me? This is Blair.

**Caller:** Yeah, I can now.

**Hon. Blair Lekstrom:** All right, go ahead with your question [Caller].

**Caller:** I was just wondering what the advantage is. Like, I'm retired. I'm 70 years old and what advantage could there possibly be in this HST for me? Other senior citizens, retired, you know, like to don't like to see government and company gains.

**Hon. Blair Lekstrom:** That's a good question, [Caller]. I think at the end of the day, I don't talk to too many people that like paying taxes regardless. We're talking PST, GST, HST, whatever it would be. The reality is though taxes are part of what it takes to run the province, run our healthcare and roads, social programs and all of that, so based on the advantage from a provincial perspective - and I look at it from the perspective of you and I - I mean I've lived in the North all my life, I plan on staying there. I'm a British Columbian first long before I'm an MLA or a Minister so the advantage that I see is it allows us to be competitive.

We live in this global economic environment whether we like it or not, that's the world in which we live today. So everybody is competing for that private sector dollar to be invested in their country, and in our case, in our province. Government has to create a platform in which the private enterprise will invest 'cause that creates the jobs that you and I get to work at, and as you said, you're retired now, but chances are most of us don't work within government. Most of us work in a private sector field, so if they're competitive then we create jobs and opportunities for ourselves and for our family. That's one of the biggest things.

Now, there's also the issue of low income for people that have a lower income. In British Columbia, I think there has been a misconception that this actually hurts them. It actually is a benefit to about 1.1 million British Columbians who are on the low income scale in British Columbia. They actually are a net beneficiary as a result of the HST; they get the \$230 credit cheque that goes out, not only for the individual or the household, the husband or wife, but for their children as well. That helps a great deal. I think there's been a feeling out there, [Caller] that this cheque is continuing on, we've always got it, that's interesting when, in fact, it's new. There is a GST cheque that goes out as well, but the larger cheque that you're getting is the HST. So, it's about maintaining a competitive of environment, [Caller]



for ourselves to live in and it's about making sure that if we can do that, we're going to have a good economy. And yeah, at the end of the day, we hear a lot 'this is only good for industry or business.' It certainly is a benefit to them, but if it's a benefit to them, it allows them to hire people to staff up, that allow opportunities, for like I said, for you or me, our children, if they want to say, stay in the Peace Country and work. So overall, I think it's a good tax policy.

It also streamlines the ability for the collection of this tax. I heard it a great deal over the last 8 years, particularly since I was a member of the Finance Committee. So overall, good tax policy I believe [Caller], but I won't sidestep the fact that you and I will pay a few more dollars sometimes, depending on where we're spending our money. If you're going out to a restaurant for example and we buy a meal, we pay the full HST on that so there is added cost. I don't think anybody should ever sidestep that question, but the one thing I will close with is this: every dollar that we collect, whether it's our taxation system or any other, goes to pay for the services that you and I enjoy, and hopefully we don't have to use the healthcare system but if we do - I think we have a world class one here - taxes help fund that as well everything else I touched on. So in a roundabout way, I think it's good tax policy. I think we benefit when we have a strong province as individuals. But without question, [Caller], you and I may pay a few more dollars for some of the things we go out and purchase. It applies to about 17 to 20% more items than the PST used to.

**Moderator:** Okay, Minister. So the next question is from [Caller] and she has the question about reducing the amount of the HST? She thinks it's a good idea but maybe we could reduce it. So go ahead, [Caller].

**Caller:** Hi, your last statement is really, really good because that 20% extra that we get taxed on, it would be a great reduction if you could reduce it to 10% rather than 12%. I see the benefit as far as employment. It's a lot easier to just multiply one tax but it's taxing us on some more items.

**Hon. Blair Lekstrom:** All right, [Caller] and that is a very good point. I've heard from different people I spoke to back up at home in the North and the around the province reflected a similar issue that you just raised. Could we drop it, whether it would be 1% or 2 points, you know, that's a possibility. I mean this is a question I think you'll get a chance to answer if you do stay on at the end as well through the telephone.

For every 1% - today it's at 12% which is the combined 7% PST that we have as well as the 5% GST the Federal government has - if we dropped it by 1%, the government will not collect about 800 million dollars in revenue. So if we're able to do that, that's one thing we would probably have to find that 800 million dollars, at this point in time, through service reduction somewhere else. I do think though that as we move forward and depending on what takes place with the vote - but I'll speak optimistically that if the vote maintains the HST in British Columbia - our competitive advantage is still there. We create more economic activity, we will bring in additional revenue to the government which will not only help first of all, get us to a balance budget position, which I think is very important, but will allow us to look at things such as possibly taking it from 12% down to 11% and if the future holds out, then we can look at something even further but it's a staggering number. You know, we run a 41.9 billion dollar budget in

British Columbia and you know we deliver I think some of the finest services in the world but when we drop taxes and we now pay the lowest personal income taxes in all of Canada for anybody earning up to \$118,000 of income. But I've heard this more than once, [Caller]. If the opportunity is there to look at that, to try and level it out on the 20% of goods that we now pay an additional tax on, as you said, I know Kevin Falcon, our Minister of Finance has entertained that thought as well, it would take discussions for that to happen but I wouldn't rule out either so thank you for that, [Caller].

**Moderator:** Our next question, Minister is from [Caller] from Dawson Creek and [Caller] wants to know if we remove the HST, what is the bill we have to repay the Feds? Go ahead, [Caller].

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** Hi, yeah. Can you hear me, Blair?

**Hon. Blair Lekstrom:** Yeah, I can. Go ahead.

**Caller:** You'd be interested to know that Montreal tied up the game.

**Hon. Blair Lekstrom:** Yes, I heard that.

**Caller:** My question is if we scratch the HST, what do we have to repay the Feds? I mean there's some talk of Harper giving us a free ride on this, but I don't think that's likely. I'm just wondering what that bill would be if we have to pay it back?

**Hon. Blair Lekstrom:** Right now, the transition fund that they gave us as a province was 1.6 billion dollars so there is that amount that will have to go back to the Federal government obviously. If the public decides that they want to go back to the PST and GST system, for example, I think we would have to enter discussions with the Federal government to see if they would entertain you know a lesser amount than the 1.6 billion. But right now as it stands, [Caller] it would be 1.6 billion dollars.

The one thing I do tell people about this is that you know, these 1.6 billion dollars has been in the budget, it's in the budget today. We spent a portion of it. It is gone to pay for the services that you and I enjoy as British Columbians, so whether that money would have been used or put into a deficit system for example, whether we got it from the Feds or not, it's a bit of a crystal ball gazing, but as it stands today, its 1.6 billion dollars.

Obviously there would be more to it. I mean the HST is a competitive tax policy, the way we're looking at it, and being that the rest of the world looks to one of these types of taxation policies. There may be more than just the 1.6 billion impact to us here in British Columbia, without question, but if we're talking just the Federal government repayment stands at 1.6 today. If the public decide to go back to the PST and GST in British Columbia, I can tell you that Christy, Premier Clark, has said that we will go talk to the Federal government and see what kind of negotiation we can deal with there but thanks, [Caller] for that.

**Moderator:** Thank you, [Caller]. So now we're going to do the first of our two feedback questions to get your thoughts on the HST. We're asking for your preferred answer by pressing a number on your keypad. Please listen carefully to the options. I'm going to read the question and the answers twice so here we go.

Government HST revenues increase faster than PST revenues would have because the tax base for HST is broader and applied to services. Currently, government is using additional revenues to balance the budget by 2013-14. If you can pick only one way to use any additional HST revenues, which of these would you choose? There are 4 options: Increased spending on programs like healthcare and education, press 2. Reduce the tax on all British Columbians, press 3. Provide additional HST credits to families with children, press 4. Or reduce the deficit, press 5.

So now, we're going to go back to our question. Our next question is from [Caller]. He has a question about why we can't we reverse the tax instead of spending 18 million dollars on the vote? Go ahead, [Caller].

**Caller:** This is partially what I had to say. Good evening.

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** It is something that was - as you pointed out - thrown at the people and it is easily reversible by the government. Why not do that, and then take the time to go through things like this over the next 12 to 20 month period and decide then whether or not to re-implement this rip-off tax. I'm in business, it doesn't hurt me one way or the other, but I see a whole lot of people that are extremely angry at the way it was done and at the fact that they now have to pay HST on groceries and services.

**Hon. Blair Lekstrom:** All right, [Caller]. Oh sorry, that was a great question. A couple of things. The reason you can't change it immediately as you said, you know was brought in the government went to it so why can't we just go back. There was a contract entered into with the Federal government, that's one side of it but probably in my mind, the most important thing was that the people in British Columbia went to a great deal of work to earn the right to have a say in this. They were angry, without question, because of the way it was rolled out.

I've heard, probably you know, I don't know what the percentage but I'm thinking close to 50-50 about people saying you know, I'm as angry on matter at the way you brought this for with government as I am actually about the tax. So the one thing you raised is you said it's on groceries. That's not right and that's what's good about this town hall meeting and the information that's going out there.

The only thing, there were things in the grocery store that were GST applicable before, those would be, but on our day to day consumption of the foods that we go to the grocery store for, there is no new additional HST. So there was a misconception. I've talked to many people in my office back in Dawson Creek, or when I'm out touring around the area about that, [Caller], but you nail it, I think, when you said the people are angry, without question. So the key for me right now is that, as we move towards the referendum vote, as I said earlier, I think everybody has an opinion, I want to make sure I'm going to

do my part to make sure they have an informed opinion, in which ever way this vote turns out. We're going to make British Columbia as good a place as it can be, but the key issue here is that we all get the factual information. And both sides are going to have the opportunity and be funded to go out and say this is why we think the tax is good, this is why we think it's not so good, but the issue around groceries, [Caller], that one I think caught a lot of people off guard, but again, it's just not factual. It would be the GST applicable goods only in the grocery store, but thanks for that.

**Moderator:** Thank you and just a reminder to people that its star 3 if you want to ask a question of the Minister. Our next call is from [Caller] and his question is will government abide by the results of the referendum and what's the financial cause? Go ahead, [Caller].

**Caller:** Hi, Blair

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** Yeah, well I was talking to the lady in preparation for this. When I got back out of the queue, you did answer the second part of my question, about what would be the financial cause of the problem, but I didn't hear anything about the first part and that was, is government obligated to abide by the results of the referendum?

**Hon. Blair Lekstrom:** Yes, we are, [Caller]. We made a commitment that under the Initiative, Recall and Initiative Act, you had to get 2/3 of the population that was eligible to vote on the tax to cast the ballot in that if it was to defeat the HST prior to Premier Campbell leaving office. He made a commitment that it would be a simple majority of people who cast the vote. We've gone to the Referendum Act which will allow us to do that and we are going to honour that commitment 100%. And thanks, [Caller] for that because you know it's interesting, you know, I think. I as an elected official, we'll be able to have the opportunity. We look at look at legislation, you look at the Referendum Act, people have the opportunity to look at the Initiative and Recall Act, and I think most British Columbians aren't going to that stage I think. What they want to know is, that if we go and the majority of people cast the vote one way or the other, will the government honour that vote, and most definitely, I want to reiterate again, 100%

**Moderator:** Okay. Thank you. Our next call is from [Caller] and his question is about will we go back to have a separate taxes. Go ahead, [Caller].

**Caller:** Hello, Blair

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** My question is, if this referendum turns us back around and we just automatically start putting PST on everything we're paying HST on already, or will we go back to the old way where we only paid HST on certain items, or are we going to be stuck with the same tax regardless?

**Hon. Blair Lekstrom:** Now, that's a good question too, [Caller]. No, if the public decide that they don't want to keep the HST through this vote, it will go back to the PST and GST regime that we had. So no,

there is no fear that you know in the sense that government is going to say oh gosh, we lost that boat let's find another way.

At the end of the day right now, all of the services we provide, we're spending more money than we bring in, that's just the reality. We're in deficit situation so we do have to find a way to get our books balanced again. I don't think it's fair for you and I to, you know, probably I think we live beyond our means sometimes, and our kids are going to pay for this and that certainly is not my intent, and I know that's not the intent of anybody I talked to, but it is the reality of the world we live in today. You know healthcare consumes about gosh, 42% of what we spend. Education is another 27%, and there's always a request to spend additional money. If this vote is to reject the HST and go back, we are going back to the way it was.

**Moderator:** Okay. Thank you. So our next call is from [Caller] and [Caller] wants to know if the benefit is going to be to BC. Go ahead, [Caller].

**Caller:** Hey, Blair.

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** Hey, yeah my question is just that, I don't mind paying a little bit extra as an individual as long as the whole BC is benefiting. You've answered a lot of my questions, but can you just know I'm stuck in between voting yes or no, and at the end of the day, which way do you want us to - if you could tell me which way to vote - which way would you tell me to vote and at the end of the day, how does that benefit BC as a whole?

**Hon. Blair Lekstrom:** All right. That's a great question, [Caller]. I am telling you I'm going to vote to support the HST, that's where I stand on the issue. It does a number of things, it puts BC on a level playing field with you know the domestic and international competitors that I talked about earlier. I'm not sure if you were on earlier when I talked, but we live in this globally competitive environment and governments around the world have to create a positive environment where the private sector wants to invest their money. That's who creates the jobs for you and I. Government doesn't create jobs, we create the atmosphere for the private sector, so significant benefit of the HST is it levels the playing field with our other competitors.

You know it's interesting, the HST combined with some of the most competitive corporate income tax rates in North America, it has and it continues to generate long term economic growth for B.C. And what it does, in the most fundamental way, it creates jobs for us and you know people say it does do that.

It goes back to what I said earlier. If business is competitive and can set up in British Columbia and compete with their competitors around the world, those are jobs for you and me and our children and grandchildren as we grow up. I saw this as I grew up. Overall, jobs are needed for long term economic growth you know. 140 countries and 5 other provinces have a value added tax like the HST so this is not new. I think the last people to go to a PST or a sales tax type scenario was Barbados, I think about 30

years ago. They kept it for about a year and got rid of it. So they went to the type of tax we're looking at here today and have in place under the HST. Thanks for that question, [Caller].

**Moderator:** Our next question is from [Caller]. She has a question about cross border shopping and she's from Fort St. John so go ahead, [Caller], you're on.

**Caller:** First of all I'd like to thank you, this is a great idea. I'd love to see more of this kind of interactive stuff with people that would make us feel a little less like peons at the bottom of a large government. You're from Dawson so you understand the cross border shopping and I work as a medic in an oil field so you know, I see a kind of both ends of stuff. And how is this going to affect us since Alberta doesn't do this and Alberta doesn't have a PST, and just the simple fact that they don't have a PST sees a lot of competition go - a lot of people from here - go over to Grand Prairie and go over there to shop just to get the PST. Now we have an HST and a higher tax so we are very concerned over what that's going to do especially for toys. You know quads, that kind of thing that you don't have to register once you come back.

**Hon. Blair Lekstrom:** That's a very good question, [Caller] 'cause we do live up there and like I said first, I want to say thanks for your comments on this and the issues getting out on the telephone town hall meeting. I think it is a great way - and I've always done my best to communicate - but I do think governments, and the one I'm part of, has not done the best job of doing what we're doing here tonight.

I can tell you, Premier Clark, our new Premier is very committed, not just to her families' first agenda but to open government and this is what it's about so I'll say thanks to that. The Alberta shopping, you know, it happened under the PST. This tax isn't higher; I mean it is the 5 per cent and the 7 per cent combined. It does apply to 17 to 20% more goods, is what it does.

You know, there's two things: We try, I think, most of our businesses - and I've lived in Dawson Creek all of my life - and you know I have friends that will go over to Alberta and come back and talk about (not so much anymore, but before) they would talk about, Gee, I bought a dishwasher and its great. You know I got all upset 'cause originally I was the Mayor at the Dawson Creek and I would say, well what did you pay? You find out what they paid and in fact you could actually go down into - and I'll speak to Dawson Creek or Fort St. John - and buy it every bit as cheap, if not less expensive. So it's a bit of a mind shift that we need [Caller] on this.

It's tough to compete with a province as close as Alberta in the Northeast when we have a sales tax, but you know, the issue of quads, I mean we've been dealing with that, we are looking at how we addressed that particular issue, [Caller] and we're going to find ways to level a playing field. One of the things I hear probably every bit as much about the cross border shopping issue is the cross border competitive advantage that Albertans are felt to have when they come into BC to work. This is HST levels that field completely on that side of it but it's going to take two things. It's going to take a competitive regime of businesses in BC, they have to know that they've got to have their pencil sharp when consumers are looking at coming into their businesses to buy things, but the other side of that is, I think, as a British Columbian, I realized that if I don't pay my taxes here, it doesn't help fund healthcare or education or

social programs. That is what our taxes go to pay for and in fact it doesn't even cover all of what we spend today.

We are in a deficit situation so I don't have a simple answer on that. Do I think it's going to change the pattern of people, I don't think so. I think originally it did because, as I said, when this was rolled out, I think if you had to pick an example of any government in Canada rolling something out in a poor manner, this would probably be at the top of the list. So people were very emotional about it and saying this is absolutely not, there was a lot of information that went out there based on emotion rather than fact.

I think as we go through these telephone town hall meetings, as we get the information out into the hands of the public, it doesn't mean they're going to love the tax. My key issue, as I said earlier, is I want people to be informed before they make their decision and I always encourage people give it your best shot on our side of the border when you go shopping. If our people can't compete, I'd be very surprised but it's an issue, [Caller] I can't sidestep that, it's been an issue all my life up there, cross border shopping, and I do think and I'll close with this, I think our businesses in the Peace country are doing probably the best job I have ever seen in my 50 years of living up there, in competing not only with Alberta, but with anybody on this planet. They do a pretty good job now, not only in their prices but the service they deliver is exceptional.

**Moderator:** So our next question is from [Caller], she's from Chetwynd and she has a question about the HST rebate. Go ahead, [Caller].

**Caller:** I was just wondering, if the HST doesn't go through, if some of the people, like I understand with the business, you get your rebate back, and you either have to pay or you get a refund. But I'm just wondering with people who don't have a business, are they going to get some sort of rebate back in trying to make them equal? I mean of course they're not going to be 100% equal, but even just for a little bit?

**Hon. Blair Lekstrom:** That's a good question, [Caller]. There is... we have a HST rebate cheque and it goes right now out to 1.1 million low income British Columbians. That cheque won't be there and you know when I say that some people say gosh, you're trying to scare us, no that's just a fact. The GST rebate cheque will still be there, but you know, there's some pretty significant dollars going out. You know a minimum amount and I'll give you a couple of examples here, [Caller].

A low income British Columbian that makes I believe \$20,000 will get \$230 back. If you have a family of 4 for example, you could earn I think up to \$25,000 and you will received HST credit checks of up to \$920 and of course, it goes up a bit from there based on the persons income. So one of the misconceptions out there, as I said, when emotion takes over and you know I was part of that, without question, the fact sometimes gets shaded. This, if the people of British Columbia decide to go back to the GST and PST, 1.1 million British Columbian on low income will be negatively impacted. They are net beneficiaries of the HST, which is something I think many of the 1.1 million people that receive that cheque now don't realize. I'm not trying to, you know, do a selling job here on anybody that receives those cheques, but I do want to make sure that they understand that cheque would go away.



So hopefully I've answered that, [Caller] and again I'm available in my office when I'm back in the constituency, or as well, you can call my assistant there. He'll be more than happy to either get the information if I've not answered your full question, or take a message so I can get back to you. Thanks, [Caller].

**Moderator:** Our next call is from [Caller] from Dawson Creek. And she has the question about what kind of refinements we can make to the HST. Go ahead, [Caller].

**Caller:** Hello

**Hon. Blair Lekstrom:** Hi [Caller],

**Caller:** Hello. Hi. So my understanding of the HST is that it has been actually a positive boon to most businesses because now they don't have to do two taxes, and we are always being told that as consumers we're going to see some of that savings. Most people I talked to don't hold a lot of hope for that. However, having said that, most of the concerns of people around here is that we are paying extra tax on things we never paid before. So if we do decide to support the HST because we do see it as good taxation policy, how do we bring about the changes we want to see? Like what is the procedure for bringing refinement that you talk about?

**Hon. Blair Lekstrom:** Well, [Caller] we're actually, we beginning that process tonight with this phone call. I want to hear from people. If we keep the HST, you know, we have some exemptions now, what we're looking for is if somebody like yourself [Caller] said you know I support the tax but I think it could be made better, you know if we didn't apply it to this or absolutely everything is on the table right now [Caller] to hear from not only you but every British Columbian who wants to participate to say here's what I think would make it better.

You know, I hear a lot about children's adult-size clothing having an exemption. Maybe that's something we can look at. Maybe there are families without question out there that may have a child that you know wears adult size clothing for example and they have to pay the HST. I believe that there are things like that that we can refine to make this tax better. It's something we're going to continue to do as I said earlier, there's also the website [Caller] at [www.hstinbc.ca](http://www.hstinbc.ca), you can go on there, there's also a spot on that website where you can put your comments in about what you think could enhance it as well and at the end of this call as well, you can leave a message with your ideas if you have direct ideas; here's one thing or two things or three things I've thought of, but it's a great question. What we're trying to gain here tonight is an understanding from people like yourself that if we keep the tax and you want to, how do we make it better? And if people are unsure, they're going to ask those questions as well about when it would take to change some of the ideas that are out there. There are some misconceptions, without question, out there about this tax.

**Moderator:** All right so just a reminder that it's star 3 if you want to ask a question. Our next question is from [Caller] in Fort St. John and she is wondering about the benefits for families. Go ahead, [Caller].

**Caller:** Thank you. Hi, Blair. I just want to reiterate what [Caller] said and to thank you for holding the town hall meeting. To be quite honest, although I think of myself as educated, I have never really been a strong political follower until now and probably the HST has brought me into this.

I really believe it is important to be informed and this is what I need personally in order to make an educated decision. I think we've had really excellent questions tonight and I really appreciate it. I have noticed over the past 10 months, for myself personally, my spending has changed because especially with the recession and my husband working in the oil field. I can't afford to go to the movies or to a restaurant as often as I would have before because I have noticed the difference. And you did answer my question with [Caller] who asked a good question and [Caller] as well. I agree with what [Caller] said about you know being stuck and I'm here for the facts so I guess what my question for you is could you just tell us a key message or a key factor that you would want us to know about how the HST – what's important to a regular family living in British Columbia?

**Hon. Blair Lekstrom:** All right. Well, thanks for your comments, [Caller] and again a good question. I think that it's very difficult to point to something that says that says here's how Blair Lekstrom will save money under the HST. What I will point out, and I go back to the issue of the province having to be competitive, because without that, we would not have the jobs that we have in British Columbia. So how does this impact the family in a positive way and what does it mean to my family in the case that you've asked?

I think it means that we're going to have businesses that are more competitive; they are going to have the ability to be competitive in the global environment which allows us to create more jobs in British Columbia as more jobs are created without question. More taxes will come to government and you know, I'm one of those people too that won't jump up and down and say I love paying taxes, but it's those taxes that fund our education, whether it's the K to 12 system, whether it's our universities, whether it's our health care. So what does it mean to the average family? If we're competitive and remain competitive in British Columbia, it means government will be able to fund the programs that you and I rightfully expect and deserve. Thanks, [Caller].

**Moderator:** Our next question is from [Caller]. He's from McKenzie and he has some questions about how this will attract industry. Go ahead, [Caller].

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** It's [Caller].

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** No it's [Caller]

**Hon. Blair Lekstrom:** [Caller], how are you doing?

**Caller:** How are you doing, Blair?

**Hon. Blair Lekstrom:** I'm good. How are you doing tonight?

**Caller:** Well, flattered that you included me on your town hall meeting here over the phone.

**Hon. Blair Lekstrom:** All right. Thanks for calling in.

**Caller:** I had a couple of questions in regards to the HST and well one thing is for certain, as expressed to you before, that it wasn't really the tax itself, but it was more of the way they ram it down the people's throat, and I'm pretty thankful that was part of your stand on that was the way it was done.

Some of the issues are how is this GST - primarily where is the money going - because I haven't seen much for changes. If we're looking at making it easier for seniors where they are not getting federally taxed, you know having to pay money on their pension, which my Mom is going through right now, or that out of that \$1100, that they get a month to leave on their pension that they spent roughly a \$100 a month on that GST so that money is screwed by the government.

The amount of money I spent, I got 5 kids and a grandson here all living at home. My oldest daughter is working two jobs and still unable to really get a good foothold on her life, and I cannot believe how much the cost of things have increased. For me buying everything and I've got to go where I can find a deal. I've got to go if I have to go over across the border if I'm in Grand Prairie, you're darn right I'll drop a \$1000 on groceries if I can get a deal where I can in BC.

One of the things I would like to see if they're going to tax us, I'd like to see where the money is going. I would like to see a factory building or the Air Force jet for Canada, rather than spending you know billions of dollars buying them. I'd rather see mining open that regulations loosen so that big business can actually come into British Columbia to do mining, 'cause a lot of people have been scared out of here primarily because of the fact that issuing a regulation and so on, the settlements on the natives' land claim. This stuff has been ongoing for many, many years and needs to be battled. It needs to be dealt with so that we can all get on with business and get on with the rest of our lives. But the GST what to leave it, it's the 13% tax, one of the frustrating things with the doctors we've gotten away from traditional medicine and more into pharmaceutical medicine at this point. So where is this money helping us, where does it help me or my children?

**Hon. Blair Lekstrom:** Well, I think [Caller] there's a number of things and you've raised a number points and I will try to address them all. Thanks for calling in.

First of all, it isn't 13%, its 12% which is very important. You asked where the money is going, it is going to deliver all of the services that you and I enjoy in British Columbia, and you know, I say this quite a bit and sometimes my wife even thinks I say it too much: I tell people you know, on our worst day here in British Columbia, we have it better than 90% of the world will ever have on their best day. It doesn't mean that we can't improve, but I never want to lose sight of that.

Where does our money go right now? 42% of what we spend goes to health care, 27% goes to education, 8% goes to our social services programs, and 6% goes to interest on our debt. And then there's about 17% for every other ministry in government to provide service. That's where the money is going. The

groceries, I'm not sure if you were on when I addressed this earlier? HST applies to what previously GST applied to, so there's a misconception out there that this now applies to all of our groceries. It doesn't. It applies to only things that were GST applicable before, which is not a great deal of items in the grocery store.

You mentioned your mother... Quickly, I think at \$1100 a month, she would actually - under that kind of income - be a net beneficiary under the HST because of the \$230 HST credit cheques that are mailed out, so she's further ahead under the HST as a low income person. 1.1 million British Columbians will receive this cheque and help out themselves and their families.

You also asked - and I know this is a long answer - but you talked about the mining industry and so on. This is one of the most significant competitive issues we can deal with by keeping the HST in British Columbia. It will benefit - and when I say this some people take this wrong - when we talked about benefiting industry, what that means is they can actually open up new mines, they can open up new mills in many cases. We have seen extensions of mine life already as a result of the HST. There is manufacturing as a beneficiary of this, construction is, transportation is, the mining, oil and gas industries are benefitting, as well as forestry. What it does is make industries competitive in the market in which they compete and when they are competitive - when they actually can lower their costs - it allows them to hire people, allows them to maintain their operations. So a long winded answer, [Caller]. You had a lot of questions in there. Hopefully I've done you some justice in answering them.

**Moderator:** Thank you. So now we're going to go through our second poll - our feedback question on the HST. So, for those of you who have come on since the first question, we're going to... I will read out the question and the answers twice and then you decide. To choose your answer, just use your keypad. The second question is: if British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose. There are 4 options: Increase the PST rate, press 2. Raise personal and corporate income taxes, as well as other taxes, press 3. Run a larger deficit, press 4. Or cut government spending, press 5.

Thanks. So we have time for two more calls and then we're going to wrap it up, and the Minister will say a few words. So our next call is from [Caller] and he's got a question about the effects of the HST in Northern BC first and South BC. Go ahead, [Caller].

**Hon. Blair Lekstrom:** [Caller]

**Caller:** Hi, there.

**Hon. Blair Lekstrom:** How are you doing?

**Caller:** I'm a farmer, Blair, north of Fort St. John and the HST, even though it takes funds from our farm and you don't get them back 'till you quit farming is gone but it will come back. It's fairly good for farming but personally, I take exception with your comment that it isn't increasing and our cost of living here and it will in the North and that is as of the transportation factors and everything that we do up

here. I guess my point is - and I'd like you to comment on it is as an individual - we are going to pay more in the North than the people in the South and you don't want to hear this, it's just like the carbon tax. Thank you.

**Hon. Blair Lekstrom:** All right. Well thanks, [Caller] for that and I'll try and answer this. I think you know agriculture is something [Caller], and I've said this many times, I think is being overlooked. They're not being given the respect due rightly deserves not only by provincial governments but by our Federal government as well.

That is no slam because I think we are all guilty of it right across, including most residents of this country. We take our Ag (Agriculture) community for granted and I think that's going to come to bite us unless we recognized that very quickly. I didn't say that it wouldn't impact us and it wouldn't cost us more. There will be additional cost and not just for people in the North, and I'll address that one shortly. It (HST) actually impacts about 20% more items than what we used to pay on that, on spending, on the spending side, not on our mortgage payments and all of that, so is there an impact.

I won't come across as sidestepping that, but you know the North, I don't think we do pay more in the North and I may missed this [Caller] so I'm sure that you'll contact me either back home or however we want to do that, but our home heating fuel is exempt, our lighting is exempt. So definitely we spend more money up there heating our homes and in many times, with our short days in the winter, our lights are on a little longer.

I haven't been able to see where there would be a greater impact on the families that live in Northern British Columbia or for where in BC, for those who live in the urban part. The carbon tax is a whole other discussion and I would value that discussion with you one day. We could do that back up North if you want, but the other one you said is farms right now. My understanding is that you will get the full 12 points back as an input tax credit on your farm operations as you invest in what you purchased for your farm, so I'm not sure, and again, I think we'll probably have the opportunity - and I encourage you after this, if I haven't answered to your satisfaction - get a hold of my office in Dawson and we can set something up, or we can talk, because maybe there's something I'm missing here. But you know, for agriculture, I've always believed that we've got to do more. This is probably one of the best things, in my mind, I've seen for agriculture in 25 years. Is it enough? I think we got a great deal of work to do on our Ag sector, and I'm going to fight like heck for you on that. Thanks for your question.

**Moderator:** For our last question tonight is from [Caller]. Sorry, pardon me. He's from Fort St. John and he has a question about further consultation for the HST. Go ahead, [Caller].

**Caller:** Hello.

**Moderator:** Hi, go ahead.

**Caller:** Hello, Blair.

**Hon. Blair Lekstrom:** Hi, [Caller], how are you?

**Caller:** Well, I'm feeling pretty good. [Notes hockey team is winning].

**Hon. Blair Lekstrom:** Hey, I heard that, it's a good night for me 'cause I'm a big fan.

**Caller:** Hey, good. This is a very good thing and my question is, are you guys going to pay attention to the voting public for a change? You know, on something like this, I mean the public was obviously really mad at the way it got rolled out and the government knew that. Why didn't you talk to us? So hopefully it's a wakeup call to you guys in the next government. Not just because I'm from British Columbia... will you start paying attention to us, the voters?

**Hon. Blair Lekstrom:** That's a great question, [Caller] and you've raised the valuable point. This is far broader than British Columbia and I think governments from across this country can look to British Columbia and learn a valuable lesson.

As I said earlier, the original decision to go the HST wasn't made with malicious intent. I think government got so caught up in the economic meltdown that was being experienced around the globe that they started making decisions - and major tax policy decisions such as this - without taking the time to go out and engage the public like we're doing here tonight... and we're going to do, right up until the vote.

So are we going to listen? Yeah, we have a new leader, a new premier, Premier Christy Clark, and I'm not [knocking?] our previous Premier, because I think he work very hard too, but one of the commitments and one of the lessons - and this is where government has to be able to stand up and... One of the things I'm proud of is being able to be part of the government... but you know what, we made a mistake.

We really messed up in how we approached the HST by not going out and engaging the public. We have learned a valuable lesson and it's actually two fold. One, not only on major tax policy shifts, but on issues when we have the ability to communicate with the public today, with the technologies we have, let's engage with them. Just because you're elected as an MLA or become a minister doesn't make you an expert in every field. I mean we better hope that we can learn from each other each and every day.

Now we're going to continue to get more information out there, [Caller]. I'm not sure whether you're on the Internet or not, but if you are, I'll give you a web address. Its [www.hstinbc.ca](http://www.hstinbc.ca). It's a great site; it lays out a great deal of information.

We [government] are also funding both sides of this equation. There's 1.7 million dollars going into a fund; \$250,000 will be shared with the people who are going to oppose the HST. And \$250,000 will be shared with groups that want to support the HST. We will also have \$700,000 put toward a voter package that's going to come out to you. It will include not just the government saying here's why we think it's good and you should support it. It's going to have both sides of this equation included in it. As well, there's another \$500,000 that is going to go to our university and colleges so that they can then host debates in every region of this province. So I think there's a great deal of work going into this, and I said this earlier, when I made my opening comments, I wish we would have done this 18 months ago.

And probably, well, there's no probably, I wouldn't have made the decision I made last June to take the stand that I did.

What I am happy for today is that we're doing is; what not only I thought we should have done some time ago, but I think most people, without question today, and government recognized, is that this is what should have happened, and most importantly this is what the population we represent thinks should have happened, so we're doing it now. I think it's a great format. Timing is a little off, but we still have the time to make sure that when people go out to cast their ballot, they have the information they need, and that's what this is all about. So, thanks for that [Caller].

**Moderator:** Thank you. So our time is almost up. I'm just going to reiterate what the Minister said earlier. If you didn't get a chance to comment or we didn't get to your questions, you still have an opportunity to do so. If you just stay on the line when the call is finished you'll hear a prompt and then you'll be able to leave a message. Thank you very much for participating. Minister, do you have any final comments?

**Hon. Blair Lekstrom:** Well, I would just like to close by simply saying thank you to everybody who participated, to the people that asked questions, as well as the people who are listening to get the information.

This is a very important vote for British Columbia and as I said I think it was and still is an emotional issue. But I do think most British Columbians are going to base their vote on the information that they receive, and continue to receive, and they will make their decision based on what they think is in the best interest of British Columbia. I'm confident, at the end of the day, whatever that decision is, we are going to build a stronger province.

But I don't want to leave you with the thought that if the HST is turned down, that there isn't a cause associated with it, there is. If it's kept, we're going to look for opportunities to improve it. But this is not about government anymore. This is about the people of British Columbia. You've earned the right to have a say in this and I'm looking forward to continuing to be engaged with the public. Not only those I represent in the Northeast, which I think is the greatest place in the province, but with every British Columbian that has a question. It doesn't mean we'll always agree, but a good healthy debate and a good healthy dialogue is not always about agreeing. It's about understanding and making sure you discussed the facts or information; base your opinion on that. So thanks everybody. Have a great night and I hope the sun is shining up there. It's been raining down here. Have a good one, you guys. Thanks so much.

**Moderator:** Thank you, Minister. So that's the end of our town hall. Thanks again to everyone for participating and have a great night.

**Hon. Blair Lekstrom:** Thanks, Lisa.



## VICTORIA TELEPHONE TOWN HALL SUMMARY

Date: May 12, 2011

Host: Minister of Jobs, Tourism and Innovation, the Honourable Pat Bell

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
134,873	25,431	16,897	15	66%	235	27

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the tenth of eleven regional town halls conducted by Government with British Columbians.

Minister Bell responded to 27 questions and/or comments during this call. Issues that arose from citizens from the Victoria area included the following:

- Exemptions or mitigations for specific products or industries: funeral services, contracting services, restaurants, over the counter medications, gym memberships and other healthy activities, entertainment, basic cable, artist cooperatives, basic consumables, bike helmets, energy efficient vehicles and privately sold vehicles
- Rate reduction to 10% and administration of one tax must be cheaper.
- Impacts on seniors on fixed incomes.
- Savings not being passed through to consumers.
- Will the government reintroduce the previous system and how will the Government make up the revenue differences.

Callers indicated they were upset at the process of implementing the tax and were concerned about their level of trust with the Government on the issue. Some believe the PST + GST system is a "fairer" system, while others sought to understand the relative strengths and weaknesses between consumption taxes and income taxes.

Confusion remains about the application of the tax on products and its administration. One caller suggested home heating oil should be exempt from HST and another wondered if the HST had to be uniform across the country.

**May 12, 2011 Transcript: Victoria Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST town hall with BC Minister of Jobs, Tourism and Innovation, the Honourable Pat Bell.

My name is Marisa and I'll be the moderator for the town hall meeting tonight. Before we begin, I'd like to say a few words about how this town hall will proceed. The Minister will have some introductory comments then we'll proceed with a live question and answer period.

A word about privacy, this call is being recorded and will be transcribed and posted on our website. So if you do not want your ideas, comments or opinions to be part of the transcript, I recommend you remain in listening mode. So that we can include as many of your questions and comments as possible on this call, please keep them short and to the point.

If you wish to ask a question during the town hall, please press star 3 on your keypad and you'll be connected to an operator. Press star 3 on your keypad. For your privacy, please use only your first name when speaking to the operator. We want to ensure a wide variety of views and questions from the audience tonight and the operator will make sure that we reduce duplication of comments. When you hear me announce your name, your line will open and you can ask the Minister your question. After you've asked your question, your line will be muted so the Minister can respond and you will be placed back in listening mode. Please note there will only be questions and answers during the town hall, we won't have time for follow up questions.

Again, we want to maximize the number of questions that the Minister can take. I ask that you use polite language on the call. Anyone using bad language or swearing will be cut off. Later in the call, you'll have an opportunity to provide your feedback on the HST directly to government by answering a couple of multiple choice questions. These questions are not scientific, rather they provide an opportunity to engage you on some important questions about the HST in BC.

So, thanks for your patience everyone, we'll do our best. We may not get to everyone who has a question or comment with the Minister tonight. However, if you stay on the line until the end of the town hall, you will have a chance to leave your comment in a recorded message. So again, if you want to ask a question, please press star 3 on your keypad. I'd now like to turn this call over to Minister Bell for his opening remarks. Minister.

**Hon. Pat Bell:** Thanks so much, Marisa and thanks everyone for staying this evening. It's a beautiful day in Victoria and I'm sure many of you would rather be out enjoying the sunshine than listening to me, but it is an important issue and I want to make sure that you have as much information in a non-bias way as possible.

So, I'd like to start out just by outlining the purpose for this evening. It is for me to hear from you specifically on what you think of the HST and what we can do to make it work better for you as an individual and for your family. As you all know, when Premier Christie Clark came to office in March, she acted upon her commitment to move the date of the HST referendum from September to June so on

## Check Against Delivery

June the 24th or prior to that, you all be receiving your ballots. So we did engage with British Columbians, and have been over the past number of weeks, for this telephone town hall meeting. This is my third one and I can tell you that typically, we get 20 to 30,000 participants on each of these calls and I'll let you know exactly how many people were on line as we move through the evening.

We also understand that we have not done a good job communicating the HST and the public has an overwhelming interest in making sure that they have information that is accurate, that is honest and that is non-partisan. So again, my goal tonight is to be able to do that for you.

As we approach the referendum date, it's important for you to have all the facts whether you want to go back to the PST/GST or whether you want to retain the HST system. There's 3 additional ways for you to get more information. The first, and I'm got to be mentioning this website a lot throughout the evening, is by going to [www.hstinbc.ca](http://www.hstinbc.ca). This website has a wide variety of non-partisan information that clearly outlines the facts on the HST. And you can also download a copy of the independent panel report that was released a couple of days ago, I'm got to be quoting from that panel report this evening as well. The second key opportunity will be on June the 8th from 7:30 to 9, there will be a public dialog forum held at Camosun College, the Lansdowne campus and that will be coordinated by Camosun in a non-partisan way. They are selecting who will participate in terms of who the speakers will be. We are not influencing that in any way, shape or form. If you're a little further in the Capital Regional District and if you want to run up to the Nanaimo one, Vancouver Island University will be hosting one of these dialogs on June the 9th from 7:30 to 9. So there's a couple of opportunities for you. The third is there will be a voter's guide mailed out to everyone early in June and that will have summary from the independent panel report on the HST, it will have comments from both the pro and con side on the HST debate. It should have a really good balance of information in it.

So really, my whole goal is to hear from you this evening so as a final comment, I want to read to you the last couple of paragraphs from the independent panel report because I think they're particularly relevant. The report states as follows: The process of preparing this report has shown us that much of the debate over the HST and PST/GST remains filled with factually incorrect information. We believe that better information including the good and the bad about each tax system is critical for there to be a successful referendum - no matter the result. Citizens usually leave such tax policy questions to the provincial government. During this summer's referendum British Columbians will make history. You will decide the future of the HST. The question before you is: Are in favour of extinguishing the HST, Harmonized Sales Tax, and reinstating the PST, Provincial Sales Tax, in conjunction with the GST, Goods and Services Tax? and that will require a simple yes or no answer.

They close off the report by saying: Our job is not to tell you how to vote, it is to look at the facts and offer our best analysis. Now it's your decision.

The report was authored by 4 distinguished individuals including Jim Dinning who was the Finance Minister in Alberta for a number of years, George Morfitt who served two terms as the Auditor General for British Columbia, Tracy Redies who is the CEO of Coast Capital Savings which is Canada's third largest

credit union outside of Quebec and John Richards who is a Professor in the School of Public Policy at Simon Fraser University and is trained as a business economist.

So it's an important time for everyone, it is historic and now it is over to you. So Marisa, I'd like to start fielding questions and trying and respond in the most factual way I possibly can.

**Moderator:** Okay. Thank you, Minister. We are starting to get the calls in. A reminder, if you do want to ask Minister Bell a question, please press star 3 on your keypad and you will get through. We'd like to start tonight with [caller] who has the question for the Minister from the perspective of a person who is in business. [Caller]? Are you there?

**Caller:** Good evening. This is [caller]. Are you hearing me?

**Moderator:** Yes, please go on right now.

**Caller:** Okay, I was exempt from most of the PST. I'm a small business owner and I got my GST back after I applied for it, but now I have to pay for HST up front. So that cost me more money than I used to have to pay and the government, you, have my money to use for whatever you want, for 4 months 'til I can claim that back.

In closing, that's my main question there, why would it make a difference? I really feel that to change over back to the system that we had before would cost us nothing but money because we still got to pay the 5% and the 7% so the tax is not going to make it any less, this is got to cost us a whole pile of money.

**Hon. Pat Bell:** Thanks, [caller] and thanks for calling in and staying on the line this evening.

So first of all, under the HST model which operates under the GST collections system, you do have a choice of how often you want to remit. Now as a small business owner, you may want to remit monthly or you may want to do it quarterly or you may want to do it annually depending on the size of your business. That's a decision that you'll have to make and also based on the amount of HST that you're collecting and that you're paying out. So I'd encouraged to get good advice from your accountant on that and make sure you're making the best decision for your business. If you were PST exempt, I'm guessing you may be in the agriculture industry, I don't know that for sure, but certainly there were many PST exemptions in the agriculture industry. But even with that, there is a huge opportunity for you to gain advantage under the HST system and reduce the cost of your production.

Just finally, your comment is right on the money it is a significant cost to go back to the old system but if the public chooses that that is the best solution, we will honour that and go into dialog to make sure we do that in the way that meets the needs of British Columbians, so I appreciate your comments tonight, [caller] and Marisa, let's go into the next call.

**Moderator:** Okay. Thanks, Minister. Just a reminder to everyone, if you'd like to ask Minister Bell a question about the HST, please press star 3 on your keypad. And right now we'd like to go to [caller] who has a question around the purpose of this town hall. [caller], are you there?

**Caller:** Yes, I am. I agree with Ex-Finance Minister, Carole Taylor who opposes the HST and I also am wondering about how unbiased these forums are when they are led by a politician who has publicly supported the imposition of the HST? Your original statement was that among other things we were going to discuss how to improve the HST and make it work for us whereas, the question in the referendum is are you in favour of extinguishing the HST not of improving it. So I'm wondering why you were framing this town hall and other town halls in such a manner. It's very confusing for those of us who want to make sure that we go back, as Carole Taylor said, to a fairer tax that is not ideologically driven. In other words, not a massive shift from corporations on to the individual taxpayers.

**Hon. Pat Bell:** Thanks, [caller].

There are a number of questions so let me try and get to as many of those as I can. Your first question was with regards to why it is me on the end of the line as opposed to someone else. You know, I think it's important for you to know that we have new leadership in this province. Christy Clark when she was elected as our leader and as of yesterday, she's now an MLA elect I guess, committed to an open government that is accountable. We're communicating with the public on a regular basis. Tonight's call and the other calls that I've made are reflective of that and I'd encourage you to stay on the line through the evening and you can be the judge of whether I'm trying to present non-partisan information or whether I'm viewing the information and I'll respect your opinion on that but I would like you to stay on the line and listen this evening and hopefully I can demonstrate to you that I am trying to provide information in as honest and upfront a way as possibly can.

You did ask the question about the question in the referendum itself. Now it is not our decision, it was the decision of the Elections BC, Elections BC is an independent office of the legislature - does not communicate for government - it is a function of the legislative assembly where both opposition members and government members are there, but it is independent. So that was their choice, not our choice in terms of the question. That has been, the question's been endorsed, by the way as well, by the anti-HST folks so people I think generally believe it's a good question.

You also asked the question and you made the comment that it was ideologically driven, I would suggest to you it's a good tax policy and in fact that's what most economist will say, but you can take that or leave it for what it is. How do we improve the HST is the purpose of our call tonight and one of the commitments we are going to make is prior to the actual vote on the 24th of June we want to advise the public of what kind of changes we are prepared to make to the HST prior the public making a decision. So you will know exactly what you are voting on, you're not voting on hypothetical outcome, you know exactly what the commitments are, what the HST will look like in the future. We clearly understand you don't like it now, we want to improve that and that's a real key for us being here this evening. So new Premier, we want to listen, we want to make sure that you're heard. So Marisa, with that let's go on to the next question.

**Moderator:** Thanks Minister. Now we do have a lot of people joining call as we go through this and so a reminder to those of you who just joined, you are on the HST telephone town hall meeting tonight with Minister Bell and if you'd like to ask a question, please press star 3 on your keypad. Now [caller] is

hopefully on the line and she had a question about exactly what is impacted by the HST. [caller], are you there?

**Caller:** Yes. All I want to know is could they published the pros and cons in the newspaper. Thank you.

**Hon. Pat Bell:** Thanks, [caller]. So certainly we can talk to the Times-Colonist and other newspapers in the area to see if they'd be willing to do that. But if you do have an internet connection, what I would suggest you do is go to [www.hstinbc.ca](http://www.hstinbc.ca) and you can download our copy of the independent panel report and that has a pretty good summary of what is changed, what is costing more and what is costing less and there's actually some things that cost less as well and I'm actually looking at the page, its page 7 of the summary and it outlines as an example that new homes built. There are over \$525,000 in value will in fact cost more; here are some conveying costs such as real estate fees that can cost more. Structural home renovations, so there's some items like that. There's other items that unchanged and there's other items that are cheaper and there's a good outline about so [caller], I hope that gives you an answer to question. If you do have an internet connection, [www.hstinbc.ca](http://www.hstinbc.ca) and certainly I'd be happy to speak to the people at the Times-Colonist and hopefully they would consider printing at least summary of the report.

**Moderator:** Thanks, Minister. [caller] is on the line and he has a question around the HST and other provinces. [Caller] are you there?

**Caller:** Yes.

**Moderator:** Please go ahead.

**Caller:** Hello, Minister. There are 5 or 6 provinces in Canada that have an HST scheme. Is it necessary that the schemes be uniform in every province across the country or can British Columbia negotiate a scheme that is suitable to our needs and may possibly make the HST more palatable in terms of maybe a lower tax rate and increased number of exemptions?

**Hon. Pat Bell:** Thanks very much, [caller] for calling in this evening and the answer to your question is yes, it is possible for British Columbia to make changes.

Part of the reason why we are doing this call tonight is to collect information and find out from people what sort of changes you think should be made to the HST. Right now, there are all but 4 provinces in Canada that have an HST system. Alberta, Nova Scotia, Manitoba and Prince Edward Island do not; all of the other provinces do have harmonized sales tax system and you know it is just logical to do that. Why would you have two different independent collection agencies, two different processes? As the small business person, I come from the small business world, we used to have to fill a two forms every month to submit our PST and our GST. There's lot of good reasons.

It seems like people are upset about specific issues or exemption for the rate you mentioned at 7%. So those are kind of thing that we're interested in hearing from people and I didn't quite get [Caller] what you're thinking would be if especially the rates should be reduced or if there should be specific exemptions but by going on to [www.hstinbc.ca](http://www.hstinbc.ca) you will have an opportunity there to say what you think

we should do to the tax, that information is being accumulated and we'll make our decisions over the coming weeks and make sure that the information public in terms of our intentions. So [caller], thanks for the call and the advice and let's move on, Marisa.

**Moderator:** Thank you, Minister. Reminder to those just joining, please press star 3 if you'd like to ask Minister Bell a question. [caller] is on the line and he has a question about the HST and savings being passed on. [Caller], are you there?

**Caller:** Hello.

**Moderator:** Hello, [caller]. Hello, [caller]. Are you there?

**Caller:** Yeah. Yeah, I am here. I just want to know how the savings are supposed to be passed on to us. I don't see any savings when I go to the coffee shop in the morning. I'm paying about 16 up to 30 cents more. No business is passing it on to me that I can see.

**Hon. Pat Bell:** Thanks, [caller] and I can kind of give you a bit of information and this really comes out of the independent panel report. The analysis that has been done in other jurisdictions that have gone to HST is that rather than seeing an immediate reduction in the price of goods and you identified your coffee in the morning as one of those, it is more likely that what you will see is a slowing of inflation. So in other words, as the restaurant industry, and I can speak to the restaurant industry because I have been involved in it for over 30 years, we are always under pressure to keep our prices as low as we possibly can. And what I know we would be thinking if I was active in the business today is how do we minimized any price increase as over time? And there is some savings that will through even to the restaurant industry in terms of reduced bill cost for their deliveries, some of their paper products, other products that they received. So the best information we have and what we see through the independent panel report is that you will see that come back slowly. There will slowly be price reduction that will incur over a couple of year period.

**Moderator:** Thanks, Minister. [Caller] is on the line and she has a question about the HST and how its' applied on items. [Caller], are you there?

**Caller:** Yes, I am and I would like to know why we are having HST on funeral expenses for one thing and for another thing, on our heating oil. When I get a tank of heating oil and its costing me \$98 HST. I'm an unhappy camper.

**Hon. Pat Bell:** Well, thanks. I'm got to make at least half a happy camper here because I can tell you that on heating oil - you are not paying HST. What you might find on your bill is you might see HST actually on the bill, but if you look at it, it's actually on 5%. So the nomenclature or the wording that is used on the bill changed from GST to HST when the province switched. But if you do the math on it, what you'll find is that that is actually 5% not 12% so the province specifically exempted the heating oil, natural gas, electricity, even firewood and pellets, although you have to apply for rebates on those two for any HST. So there is no incremental costing on heating oil and if for any reason your supplier is charging you then we need to, we would need to know about that.



Funeral service, it is correct. But you know, that's one of the things and one that I'm got to put you down, I know you can't talk at this point because we have you back in the system, but I'm got to put you down as someone who believes that we should consider exempting funeral services from the provincial portion of the HST. I think that's good advice, I've heard that many times myself and I'm got to identify you as someone who believes that should be the case. I will encourage you to go to [www.hstinbc.ca](http://www.hstinbc.ca). To also register your thinking on that because I think it's a legitimate complaint so Marisa, let's move on again.

**Moderator:** Let's do that, Minister. A reminder to everyone, if you'd like to ask Minister Bell a question about the HST, please press star 3 on your keypads. We have a number of callers tonight wanting to ask question about the HST and its effect on seniors. [Caller] is on the line with just such a question and [caller], are you there?

**Caller:** Yes I am. Minister, I have a fairly long question. I guess they asked here, I am a senior, I've really been hit by the addition to the tax, to the HST, things that required no PST prior to that. I looked at doing some renovations with the house and making it better, thermal installation for example, energy star windows, those things have gone up in price thanks to HST. My basic cable television has gone up, restaurant meals have gone up. These are things that I wanted to do, but there is also a way of life here that I was looking forward to as a retired person and its being impacted greatly. On top of this, I look at you know, entertainment and so on, heavily hit on that category, I want to go to game, hockey game or whatever, that's gone up. Theatre has, live theatre going to the movies has been increased, my golf membership has increased, medication over the counter, vitamins has increased due to that, my gym membership has increased thanks to HST. As I said live theatre, admission to...

**Hon. Pat Bell:** [Caller], I'm writing as fast as I can here. I'm writing as fast as I can here, [caller].

So I understand what you're saying was there a key theme around it other than if there's a bunch of stuff has gone up. Well, sorry I may have lost you. That's okay, [caller]. I'm got to try and respond as best as I can. I apologized for jumping in there, I guess we probably lost you as a result of that so I apologize for that.

You have quite accurately pointed to many of the items that have increased in price as a result of the implementation of the HST. One of the things that we are trying to understand from people is where would be the priority areas be. Are there specific items that you think HST should be removed from or conversely, would you like to see a reduction in the rate or would like to go back to the PST system that is duplicated with the GST system and there's challenges with the recourse and I'm happy to talk about that, but the items that you pointed to represent the bulk of the additional costing. Just as a rule of thumb, roughly 80% of your spending will be unchanged and about 20% of your spending will have the new HST the incremental 7% HST on it. **So that is a role of (??) issue a bit of a flavour.** It doesn't sound, [caller] like you would fall, but perhaps for some of the low income supports, but there is low income support available as well. The range is \$230 per person in a family. So anyway, I appreciate your comment, [caller]. I'm sorry that I jumped in there so if you did have some specific thoughts that you

wanted to add, just go to [www.hstinbc.ca](http://www.hstinbc.ca) and make sure you register your comments, sir. Let's go on, Marisa.

**Moderator:** Thanks, Minister. We have a number of callers who were wanting to ask a question about the HST and the rate of the HST, whether it could be a little lower than the 12% and [caller] has a question. [Caller], are you there.

**Caller:** Yes, I am. Basically, my feeling when the HST first came out was that in taking the existing 7% PST, putting it together with the existing 5% GST and then presenting a 12% HST, that was a critical mistake. I think British Columbians would have been far more accepting of it, it could have been like a combined rate of 10%. And the other thing is, I think part of the opposition to the HST is that at every turn, we are getting gouged. You know, whether it's a 113% tax or marked up on wine. So you know a \$6 bottle of wine in the US that's just across the border is a \$21 bottle of wine here in BC. Or the latest, I think, is from ICBC, oh, you had a speeding ticket once in the last 3 years knowing full well that you know there's many highways in this province where you know, where the natural flow of traffic happens to be higher than what the post to speed limit it. You know, so the most dangerous thing you do is slow down, block up traffic, oh you know, you don't get a speeding ticket but you cause an accident.

It's those kind of things where everywhere we turn around, we are getting gouged and that's the thing is that you know people are so struggling to make ends meet in terms of affordable housing, in terms of gas prices and everything else that the government in every turn is slapping us with fine, fees, taxes, etc. and I think you know at some point, government has to say okay, we're got to live within the means of the people, let's have a combines 10% HST rate. I think that would be far more acceptable.

**Hon. Pat Bell:** Thanks, [caller] and I want to touch on a couple of things you said there because they're important. First of all, I acknowledged and understand that your recommendation is to go to the 10% HST rate so I'm going to put you down for that in my notes here so that I can keep track of what people's priorities are.

You did mention a couple of other things. I just wanted to - the speeding thing is important because it's been in the media a bit lately. My colleague, Shirley Bond who is the Solicitor General has been very, very public in saying that she is uncomfortable with ICBC taking that approach. I know that even today, she met I think with the CEO of ICBC and is dealing with that. So not that any of us should have speeding ticket but certainly a single speeding ticket doesn't reflect that an individual as bad driver so I think that's being dealt with.

Taxes are always an issue and each point that you reduced the HST translates into about 800, 850 million dollars. So as we move through our thinking on this, we have to take into account what areas would we deal with either reduced spending, increased deficit or potentially increased the taxes in other areas. **So it.to get always.its a big haul.** It's a challenge, 850 million dollars represent, you know, about 2%, 2.5% of our provincial budget and we have to find ways of filling that.

But thanks, [caller]. I appreciate your call and I hope you stay on the line this evening.

**Moderator:** Thanks, Minister. [Caller], is on the line and he has a question about the HST and revenues to the province. [Caller], are you there?

**Caller:** Hello.

**Moderator:** Hi, [caller]. Please go ahead and ask the question.

**Caller:** Well, I'm just kind of concerned that there's a lot of callers phoning in and nobody wants to pay more taxes but nobody is actually suggesting where we would replace the public funds that come from the taxation. So I'd like to hear people maybe come up with suggestions to better this rather than just complaining that they don't want to pay the taxes because we need the money to support everyone. Thank you.

**Hon. Pat Bell:** Thanks, [caller]. Thanks for calling in this evening and being on the line on a nice sunny Victoria evening. So you are absolutely right, there is a huge cost of going backwards in the net revenue loss in 2013/14 is over half a billion dollars and it grows after that. Unfortunately, it doesn't get smaller and those are all dollars that of course going to important public service just like healthcare and education and transportation and even into a little bit into my Ministry in terms of trying to build the economy, jobs and support tourism. So you know, we have to, when people mark their ballots, what I am committed to doing is making sure they have the best possible information. There are consequences to both option, whether we choose to stay with the HST, whether we choose to go back to the PST/GST system, there are, there are reasons for both of those and I'm not got to tell you or anyone else how to vote this evening. What I do want to make sure is that people have information and half a billion dollars is a big amount to replace on the first year.

**Moderator:** Thanks, Minister. [Caller] is on the line and he has a question about renewable fuel and the HST. [Caller], are you there?

**Caller:** Yeah. Hi, I'm right here.

**Moderator:** Yeah, please go ahead.

**Caller:** Sure, yeah. First of all, I'd like to say that I begrudgingly actually accept the HST. I think it's better to have a tax that just needs one group of people to maintain it, a little cheaper that way. But my question I guess is around stuff like taking vegetable oil and making bio-diesel in that for the thing and I'm wondering why that's tax but yes, taxes have been lowered on regular fossil fuel that don't have a renewable component. So and then there's a larger sort of theme where I think if we chose to go with the tax like in HST and to keep this, is there some way that people can be involved with the choices of what's taxed and what's not taxed? and that's basically my question.

**Hon. Pat Bell:** All right. Thanks, [caller] and yes, there absolutely is a way of being involved in determining what is and what isn't tax. [www.hstinbc.ca](http://www.hstinbc.ca), I know people are getting tired of me saying that but that's the website and there is a survey form. Now I need you to know that that's only open till Monday as we're going to need to make decision, in terms of what options we're going to provide to the

public prior to the referendum date, fairly quickly after that. So if you're interested in providing such suggestions around renewable fuels and that sort of thing, I think that would be great.

I think what you will find if you look at the **renewable fuel issue is there is no actual HST on that fuel**. In fact, there would be no carbon tax on that, I believe that the federal government 5% will be there so it will still say HST but its only 5%, its not 12% so we exempt it - renewable fuels. I think what you may be talking about is some of the **other taxes that are associated with renewable fuels** so with any fuels for that matter so kind of what we used to call the road tax component of that. Again, if that's an area like you think is important, we'd appreciate your feedback. The website has been great, lots of people are providing us their ideas. It's a good source for us prior to make our decision and say here's what we think we can do with the HST. It's a good opportunity to make sure your voice is heard. So, good comment, [caller] and thanks for being on the line tonight.

**Moderator:** Thanks, Minister. [caller] has a question about the HST and exemptions. [Caller], are you on the line?

**Caller:** Yes, ma'am.

**Moderator:** please go ahead and ask your question.

**Caller:** My question is, I think what, Minister Bell, what is really angered British Columbians is the fact that, I fully support having the tax managed by one single source, but I think what British Columbians are so displeased with is the fact that we got rid of all the exemptions for the standard consumable. Today alone, just with the threat of the price of the increasing gas, with the tax on food, on consumables, I think that's what's made British Columbian resent the HST. I don't think most British Columbians are **against having a source that of one pot but I** think what's really is these other price has keep going up and yet we still have that fact.

**Hon. Pat Bell:** Thanks, [caller] and a couple of things you kind of were mentioning there.

Fuel, and I know the price of gas is going through the roof right now and as Minister of Tourism, I'm very concerned about that because we're coming into some tourist season which relies on people driving around. But as I pointed out earlier, there is no... the provincial portion of the HST does not apply to fuel so there is no 7%. The feds do continue to charge their 5% to GST and actually shows this HST but there is provincial component. Food, grocery stores, of course no changed there. If you weren't paying GST your not paying HST now. So others, a few products perhaps you know a cooked chicken, a few things like that, by and large what you'll find in grocery stores is still intact.

Your point, around having a single collector, I think it's very important. You should know that that represents a savings annually of \$30 perhaps upward to \$35 million dollars per year. The staff that we're doing that work previously went over to the federal government. There wasn't a direct loss of staff and they are doing other work, but there is that savings. And there's a big savings for small business. If you look at business across the province, the estimate savings for business and not having to do the paperwork associated with the PST is a \$150 million dollars a year, that's enormous. That is a significant

savings and reduction in cost that those businesses will have to, have to absorbed otherwise. So you know, your comments are all good. [caller], we understand that people are very upset but I do want you to know that this is a brand new government, Premier Christy Clark has mandated a very open accountable family first government and that's why we're doing this town hall. Its impressive, the numbers of people. I don't have to dial in tonight, yeah, I will shortly and will let people know how many we have online. But I can tell you I did on in the Okanagan earlier in the week. We had 31,000 people attend that. I did one in Central or Northern British Columbia last week, we had 23,000 people want to know the information and I really like this tool. I think it's working very well. So Marisa, let's move on again.

**Moderator:** Thanks, Minister. We had actually a queue, thousands of people join us just in the last few minutes. So, just a reminder, if you'd like to ask Minister Bell a question about the HST, press star 3 on your keypad. And right now, Minister. We're looking at about 15,000 attendees so far on this hall tonight. [Caller] has a question from the perspective of someone involved and not for profit. [Caller], are you on the line?

**Caller:** Yes, I am. Hello, Minister. Yes, thank you. Yes, I'm a member of an artist cooperative and we were collecting one tax, but now we are faced with collecting HST. It is extremely burdensome for us as a not-for-profit gallery and all the artist are suffering from this. You know, it really makes people think about buying art when they have to pay that tremendous amount of tax. So we were exempt before, partially and I'm just hoping that we can again be exempt as not-for-profit gallery. Thank you.

**Hon. Pat Bell:** Thanks, [caller]. Thanks for dialling in this evening, [caller].

Generally speaking, qualifying not for profits are exempted, but in your situation, I will just take it that they say you - I don't know the business specifically - but I'm sure you're correct in your assessment. This is the type of thing and you know oftentimes, it's issues like this that people find really offensive, that they would like dealt with and so that's why we're on the line tonight and I want to know what the key issues are for you that we need to consider is. We contemplate the changes that we can make to the HST system and advised the public and then say this is what you're looking at, we decide to keep the HST if you want to go back to the PST system then this is the model that you're looking at. So [caller], I'm got to put you down as someone who believes we should be eliminating the provincial components of the HST on artist cooperative. It's another sort of cooperatives that are generally non-profit so I appreciate the comment and I'd encouraged you to go to [www.hstinbc.ca](http://www.hstinbc.ca) to make sure that you are registering your comment as well.

**Moderator:** Well thanks, Minister. We are about halfway through the call right now. We're looking at about 16,000 attendees and some of you have just joined in the last little while so we just like to take a few minutes, Minister. Perhaps, you can make a few comments to the audience before we take more questions. Minister?

**Hon. Pat Bell:** Thanks, Marisa and thanks everyone for dialling in. My name is Pat Bell and I am the Minister of Jobs, Tourism and Innovation for the province of British Columbia previously the Minister of Forest and tonight we are here to listen to your thoughts on the HST. You've lived with it now for 10

months - what's working for you, what isn't working for you? What concerns do you have and what information would you like? I'm not here to tell you it's a good thing or a bad thing, I am simply here to listen and to understand the challenges that you may be facing around the HST.

When Christy Clark was elected as our Premier and as of yesterday, she's now an MLA designate. She was elected in the riding of Vancouver Point Grey yesterday as many of you will know. She committed moving the referendum from September up to June. So on, or prior to, June the 24th, you're going to receive a ballot in the mail that's going to ask you whether you would like to stay with the existing HST or go back to the PST/GST model. It's a very simple question, it was developed by Elections BC and it's the one that we are committed to moving forward. You will have some time to decide how to fill out your ballot but it must be in the hands of Elections BC by July the 22nd. Now, for many of you, you live in, this call is going out this evening for the Capital Regional District, so you live quite close to Elections BC but I wouldn't want you to delay too long. I know I'm got to be filling out my ballot and sending it in much earlier so that it is in, in plenty of time for the July 22nd deadline.

There's a number of ways that you can get more information on the HST. We've actually launched that campaign today that is strictly factual information and directing you to go to a website. The website is [www.hstinbc.ca](http://www.hstinbc.ca). It has a wide variety of information that is simply factual information. It also has a copy of the recently released independent panel report on the HST and you can read that as well if you like. Also, on June the 8th here in Victoria, Camosun College, the Lansdowne Campus from 7:30 to 9. Camosun will be hosting a public dialog forum and that will be another great way for people to get information that is not partisan and presented in a very open way.

Finally, in early June, you'll be receiving a voter's guide package. That will have a variety of information in it. There will be a summary of the independent panel on HST. There will also be comments from both the pro and con side of the HST. So it's a very non-partisan document that will help guide you in making your decision on June the 24th. This is absolutely critical and if I have one wish for all of you, it is to make sure that you are as informed as you possibly can be on the HST. There is much information floating around out there that is not factual, that was clearly stated in the independent panel report and this is like huge decision for all of us in British Columbia, whether we stay with the HST, whether we go to the PST/GST model is ultimately up to you. My goal is to make sure you have every possible bit of information in your hands that you can in order to make sure that you make the decision that's right for you and your family. So Marisa with that, let's go back to the questions.

**Moderator:** Thanks, Minister. Were going to take one question and then we're going to the first of our feedback question. So, [caller] has a question that a number of our callers would like to ask and it has to do with - if the HST is defeated. So [caller], are you there and please ask your question.

**Caller:** Yes, I am. My question is if the HST is defeated, will the PST components still apply to items that it did before. For example, we just had the dog, surgery done on the dog \$4,000 and this increased the cost by \$280. Now if the HST is defeated, will the tax be 5% like it was before?

**Hon. Pat Bell:** Well, [caller]. You must love your dog as much as I love my dog if you spent \$4,000, I know we would do that. We've got a beautiful malamute so family pets are important to all of us.



I don't want to give you incorrect information, what I will say is that there will be a significant gap in our budget and those decisions will need to be made and it will be made in a very open accountable public way if the decision is to go back to the PST/GST model. So previously, as you recall, the PST was 7%, it was on about 80% of your purchases and about 20% of your purchases were exempted and including veterinary fees. So we would have to consider that, we consult with the public, but we will make sure that you have a good grasp of what the implications are.

In the first year, [creates] a hole of about a half a billion dollars in our budget. The provincial budget is about \$40 billion dollars and then that number grows over the years so it represents about 2 or 3% of our total revenues to government if we were to rollback to the PST model. Of course you really have 3 options in terms of what you can do - you can either increased your deficit, or you can reduce services ,or you can increase taxes or a combination of those three things. So [caller], I know that question is on a lot of people's mind and I hope at least I've been able to provide you with a bit of an outline of what we would have to do.

**Moderator:** Thanks, Minister. We now have the first of two feedback question to get your thoughts on the HST. I'll be asking you to select an answer by pressing a number on your keypad. Now please listen carefully to the options, I will read the question and the answers twice. So here is the first question for tonight. Government HST revenues increased faster than PST revenues would have because the tax base for HST is broader. If you could only pick one way to use any additional HST revenue, which of these would you choose. There are 3 options: increased spending on healthcare and education, press 2; reduced British Columbian's tax burden, press 3; provide additional support to families with children, press 4.

A reminder if you would like to ask question with Minister Bell on the HST, please press star 3 on your keypad. It's as easy as that.

So we'll go back to our audience and take another question. [Caller] has a question relating to the HST and things that we can do to actually make it healthier. [Caller], are you on the line?

**Caller:** Yes, I am. Thank you. I was wondering why activity that improved your health and maybe keep you from having prescription drug are being heavily taxed with the HST such as Tai-chi, yoga and those things. That was one alternate.

**Hon. Pat Bell:** Thanks, [caller] and thanks for calling in this evening.

So this has been I won't say for common theme, but it is certainly something that I have heard on several occasions and you should know that Premier Christy Clark in her platform document when she was running for leadership did commit to looking at ways of helping support people who want to lead healthier lifestyles, tax reductions perhaps tax credits perhaps towards people who want to get involved with different sports and activities, some of the ones that you mentioned this evening.

So you know, these are important things that its one of the areas that I believe strongly and that we need to live healthier lifestyles. I have a personal commitment to that myself. I make sure I run on a



regular basis so I think those are all good suggestions, [Caller] and I'm going to put you down as a supporter of eliminating the HST component to the provincial component on healthy lifestyle, choices that encouraged physical activity and encouraged you to go to [www.hstinbc.ca](http://www.hstinbc.ca) and also register that views so that we have it log in to the larger database. Well thanks, [caller] and I appreciate the question.

**Moderator:** Thanks, Minister. We do have a number of calls from... I was going to go to a question about children's clothing but I think we lost that person so we're going to now go to a question from [caller] about how the HST was introduced. [caller], are you there?

**Caller:** I guess that would be me. Yes, hello.

**Moderator:** That's you. Please go ahead.

**Caller:** Yeah, thanks for the opportunity to speak tonight. Number 1, as you probably heard from some other folks, I am up in arms basically over the way the HST was introduced. And then going back to the provincial election, I thought it was sleazy to say the least. I understand the HST process, I guess my one main question is you're now collecting more revenues than you ever had before, provincially, federally and why can't we go back to where we were before and maybe we need to look at less government services?

I know that's probably not a happy thought for some people, but a leaner way of operating. I, for one am retired. I'm so ticked off with the whole process that I have in my retirement have the ability to be out of the province for a couple of weeks with my wife. I go down to the States, I purchased whatever I need down there in the way of just about... I did some kitchen renovation stuff and brought all the product back up and just to get around, I guess really basically, I'm not supporting the BC economy anymore. I have not eaten at a restaurant here, excuse me once, since the HST has come in and I'm only one of many. Thank you.

**Hon. Pat Bell:** Thanks for calling [caller] and I know that you along with many others feel like we did an absolutely awful job of the HST and many people feel exactly like you do. So one of the reasons why we decided to do this is with our new leader, with Christy Clark, she believes that we need to have a very open accountable session around the HST. That we make sure that we're available to people to hear their questions, to hear their thoughts like we've heard from you this evening. So you know, I think that we are where we are, I can't wind the clock back. I probably would if I could but I can't, so I won't.

However, I can listen to you to make sure that I understand what you're interests are, where you'd like to go and how you'd like to deal with the HST. Some of the things I think I'd like you to just think about a little bit as you contemplate your decision on the 24th is, are we better off with the single tax system? Or are the merits of having a dual tax system outweigh the benefits of having a single tax systems? So clearly, costs associated with building a tax system 30 to 35 million dollars per year lost revenue, more complexity for personal business and so on. [??] *The bud in terms of how we implement the tax more flexibility there.* So there are pluses and minuses on both sides of the equation and as a senior who is going to, I'm sure, enjoy our healthcare system over the coming years, it's important to [caller] know we're going to pay for those services that HST is where I'm in. And I have to tell you, come on [caller],

you know, in support our local guys. I just want to, in particular our forest industry, that you want to make sure that the people keep working so I hope that you can stand down your boycott at the restaurant and the home supplies stores in Victoria think about supporting local business again. So, Marisa with that let's move on.

**Moderator:** Thanks, Minister. We're about half an hour left in the call and after we take this next question, we're got to go to the second of our feedback question. [Caller] has a question relating to the HST in seniors. We've got quite a few callers who are asking about that and so [caller], are you there?

**Caller:** I'm here.

**Moderator:** Please. go ahead.

**Caller:** Yes, I don't have the question really. It's just a comment. **We're retired and to be honest we haven't noticed one difference in our tax,** bills or anything at all. It's non-existent, so I don't know what all the complaints are about except personal things I guess and I don't see any chance of going back, it would be foolish. So I'd say just keep doing what we're doing but on the other hand, let's not race at anything, could drop it a point or two maybe but, that's probably counter productive too. I'd say just keep what we have and get on with the show.

**Hon. Pat Bell:** Thanks very much, [caller] and thanks for your call this evening and you know we do hear from lots of folks that **although there are parts of the HST they don't like that they do think in balance, it's a good thing** and are going to be supporting it. And clearly I think that's where you are - is that you would like to see a reduction. Over all your view is that it's a positive thing. So Marisa, let's go onto the next call.

**Moderator:** Thanks, Minister we will, but first of all I'd like to do the second of our feedback question to get your feedback on the HST. So again, I'm going to read the question and answers twice. Again, select your answer by pressing a number on your keypad. So are we ready? Here's the question - If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose. There are 3 options: increase the PST rate, press 2; raise income taxes or other taxes, press 3; run larger deficit, press 4, Thanks to everyone who provided the feedback on the feedback questions tonight.

So now let's go back and take some more questions from the audience. A reminder if you'd like to ask Minister Bell a question, please press star 3 on your keypad.

So we do still, Minister, have a few questions relating to what happens if the HST is defeated and [caller] is on the line and he has such a question, so [caller], are you there?

**Caller:** I am indeed. Good evening, Minister Bell. First off, just here to say I appreciate the fact that you're doing this. It's unfortunate that it wasn't done before the imposition of the tax but nonetheless, here we are tonight.

Minister, my question pertains particularly to the, I believe it was approximately 1.3 billion, you can provide the exact figure, I'm sure that was provided by the federal government for the transition of the PST to the harmonized tax. Is that amount payable to the federal government? Your poll just kind of alluded to where I was going with it. What is the game plan to make up that short fall of 1 point somewhat billion dollar?

**Hon. Pat Bell:** Thanks, [caller]. So the number is \$1.6 billion dollars the federal government provided us with transitional funding. We took that over 3 years to last this year and next year or the 3 years that we're dividing that money up that's deemed to be the best used of the funds.

The deal that we have with the federal government is that if we go back to the PST model within 5 years, that money is owed back to the federal government, the \$1.6 billion dollars would be repayable to the federal government and the cost of that, just to give you a bit of a flavour, in annual interest is about \$85 million dollars - in that range.

In addition we will have to rebuild the public service that used to provide the collection services and billing services for the PST model and that's about \$30, \$35 million dollars per year. So to give you a bit of a flavour, just interest alone and the cost of rebuilding the system you know in \$120 million dollar range per year. The 1.6 billion would likely goes straight to debt so we would have that incremental cost associated of the \$85 million dollars a year in the interest to deal with. So I hope that answers your question, [caller] and it is a significant cost if we choose to go back.

**Moderator:** Thanks, Minister. With [caller] on the line and she has a question about the breakdown of the HST would work out. [Caller], are you there?

**Caller:** I am.

**Moderator:** Please go ahead.

**Caller:** Okay. Hello, Minister Bell. [Caller] here. I have a question of which I have directed to several companies who provides services and charged PST, a retail purchased tax on service that I was told usually should only be charging a GST. As an example, I'm talking about one of the cable companies. As a retired person, my at home entertainment is important to me and on a restricted budget, the cost of that entertainment is important. When I questioned that cable company why there were charging PST along with the GST because of the harmonized tax, I find a lot of these companies have very little expertise in the explanation. I would passed around the lot, I even called head office in Toronto to one of the cable companies and again was avoided. The only answer I was given in response to my question was that they're collecting on behalf of the government and that's all they know. So I would suggest that a lot of these companies could be a little bit better qualified in explaining to their customers what they're doing and how they're doing it for the public and I'd like to know why PST, our retail sales tax is served or charged on a service like a cable service, if you could maybe elaborate on that for me, I'd appreciate it.

**Hon. Pat Bell:** Sure thanks, [caller], Appreciate you being on the line this evening.

So the cable service is one of the services that did not previously have PST on it and now does have the provincial component of the HST and I'm sure that's what you're referring to. So it does have that incremental 7% charge on it. On average for your spending and obviously this can be by individual, about 80% of your spending should remain the same as it was previously and about 20% of your spending should have the incremental 7% on its as a result of the HST.

I think you're point is a good one on that something of the nature of cable vision particularly for people that rely on that is one of their primary source of entertainment. That incremental cost is hard to bear, I'm going to put you down as an individual who thinks that we should remove the provincial portion of the HST from cable TV and if you do have an internet connection and are online, I'd encouraged you to go to [www.hstinbc.ca](http://www.hstinbc.ca) and register that as well. So, thanks very much. It is a broad base tax that applies to all different goods and services, but I understand your concern and I'm got to mark you down as somebody that thinks we should consider exempting cable vision.

**Moderator:** Thanks, Minister. [Caller] is on the line and she has a question around the consumption taxes versus income tax. [Caller], I hope I pronounced your name correctly. Are you there?

**Caller:** I'm here.

**Moderator:** Please go ahead.

**Caller:** Some of the economist ,or at least what I was told, that they all say consumption tax is better than income tax. Can you hear me?

**Hon. Pat Bell:** No you better again...

**Caller:** Okay. And I can see that could be better for a manufacturing economy like Ontario where they export things, they charged HST for us but they don't charged HST on what they're exporting but if all we're exporting is rolled up I don't see it as being a benefit in BC. So I would like your explanation of why consumption and service tax is better than income tax?

**Hon. Pat Bell:** Thanks, [caller]. I appreciate your question, I appreciate you staying on this evening as well. So one of the thing that's important to note is when you pay tax on your consumption, the more you spend, the more you pay. So, higher income earners clearly pay a much greater percentage of the HST than moderate or low income earners. So in fact, if you look at the independent panel report what you'll find is the people that have an income of over a 100,000 dollars, which is relatively small group of people, pay above 40% of the total HST. So it is a fair tax in the sense that the wealthy pay more, those that don't have much money and don't have the spending pay very little or in some cases they may be ahead of the game because of the HST rebate. Income taxes conversely ends up taxing you on profits or on the efficiency of your earning power and that historically, according to economist, it doesn't matter which one that you talk to, you know it could be that actually an economist from the Canadian Center for Policy Alternatives who is not a group that is politically aligned with us. In fact they're politically aligned with the opposition party here in British Columbia and what we very quickly discovered is that she in fact supports the HST model, it is a better tax. She disagrees with the some of the ways it was

implemented and on that basis, would like to see some changes but even the Canadian Center for Policy Alternatives believes that the tax on consumption is a better than tax on income and that's broadly held belief amongst economist. I'm not an economist by the way.

**Moderator:** Thanks, Minister. [Caller], has a question about the HST tax on used vehicle. [Caller], are you there?

**Caller:** Yes, my question relates to when the HST was brought in, the tax on used vehicles privately, so used vehicles, airplanes and boats was raised to 12%. I thought was it was just me, but my understanding is that it is an additional provincial tax where the provincial government has added another 5% to the 7% they were already charging to the provincial tax as opposed to HST. I want to confirm if that is correct and then secondly, if in June the population of British Columbia votes against the HST, will that go back to the 7% PST.

**Hon. Pat Bell:** Thanks for the question, [Caller] and thanks for staying on tonight.

So you're description is accurate. I can confirm that what you have suggested here is correct. That at the time of the implementation, it was chosen that we would level the playing field with dealerships so the tax, the incremental 5% creates a 12% tax overall and those funds do go to the province not to the federal government.

In terms of your second question which was - will we go back if due to a system that doesn't involve that 5% - I can't confirm that, I don't know for sure. As I mentioned earlier on in the call this evening, if we do choose to go back it would leave a hole in our budget of about \$550 million dollars in the first year, escalating over time approaching a billion dollar over a number of years. So what happens next is some conscious decisions, we would involved the public in that, we will make sure that everyone knows what decisions were facing. Earlier on tonight, I'm sure you participated in a poll that asked the question, you know how would you deal with that issue, would you reduce spending, would you look to the increased taxes or do we increased the deficit. So there's kind of 3 options or a blend of those 3 and we would have to determine what the correct approach was and we do that in consultation with the public.

**Moderator:** Thanks, Minister. We got about 20 more minutes in this call. We're going to try to get in as many questions as we can. [Caller] has question relating to the HST and spending habits. [Caller], are you there?

**Caller:** Yes, I am. Hello, Minister. I would just like to say that I am not against the HST. I think a single tax is better. I think the discontent was not because of it being a single tax but because people thought they were being taxed more as a result and the implementation. So having said that, my question is in the 10 months since we've been paying HST, has the government actually tracked whether the public spending habits have changed? Because if the spending habit have not been changed, then the discontent is more perceived than an actual hurt to the public. If I'm actually stating that appropriately.

**Hon. Pat Bell:** Thanks, [caller]. I do understand what you're saying and I can tell you that the independent panel report that was released earlier this week shows that although there was initially

some impact on implementation, that impact really lasted from the beginning of July until mid to late October, early November, something in that range. And then at that point, things levelled up with the rest of Canada. So there was a bit of a gap that lasted for 4 or 5 months or so and that was inclusive of the restaurant industries and kind of all different businesses but since then, since the end of October, beginning of November spending is pretty much on track with the rest of Canada.

**Moderator:** Thanks, Minister. We have a question about just how the government chose the areas to implement the HST on. [Caller], are you there?

**Caller:** Yes.

**Moderator:** Hi, [caller]. Please go ahead.

**Caller:** I was just wondering how they chose what services and are you choosing some of the things that previously didn't have any tax on and how you went about choosing those things? Because to me when I look at the list and I see things that are good for the environment and energy, more energy efficient cars having HST on them now and bike helmets and smoke detectors things that seeing, like things you should be encouraging people to buy rather than just discouraging people to buy. I wonder how you guys went about choosing the products?

**Hon. Pat Bell:** Thanks, [caller]. It was a bit of an inverse decision process.

So the federal government, as part of the agreement that we have, allowed us to exempt up to 5% of the value of collection. So we were allowed to choose up to 5% by value and say we want to exempt that particular item from HST and that was from the federal government's perspective. It help streamline their bookkeeping practices and makes it simpler for them to operate and that's why they restrict it to the 5%. That's why it's a normal practice they require that of other provinces that it converted to the HST model as well. So, the decision was based on we're allowed to exempt up to 5% and how do you choose that 5%.

BC decided to go with some things like more vehicle fuels, on heating fuels, natural gas, oil and so on. We had other types of exemption that we were able to bring too, so didn't leave us a lot of room. New homes sales was an issue as well that we have to deal with and that was I think wanting it because of the size of the new home market here in British Columbia. So what we did was try to go to the things that we believe were most important - children size clothing, books, some of those types of items but as a result of the call this evening, we are considering our options and looking at what else we should be thinking about exempting.

So I know you can't get back to me now and tell me what items you think we should exempt. I did hear you talk about things like fuel effecient vehicles, hybrid cars, that sort of, bicycle helmets, so I've got to mark some of those down in my notes but I'd encouraged you to go to the website which is [www.hstinbc.ca](http://www.hstinbc.ca) and provide your comments there because we'll be incorporating those suggestions and that will close off on Monday so need to do that over the next couple of days. Thanks, [caller].

**Moderator:** Thanks, Minister. [Caller] is on the line and with the question around how the HST was introduced. Are you there, [caller]?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Okay, Mr. Minister. By the way, I want to compliment you on how well you're handling the answers and that it really is helpful and too bad that you weren't in on the onset of HST. But if HST was such a fantastic tax why did your liberal government, at the last election, say they would never introduced it? And if such is the case, how can we trust that you're going to make the changes that you're now talking about. Thank you

**Hon. Pat Bell:** Thanks, [caller]. Appreciate you calling in this evening. So I think in a nutshell, I'm not got to try and kind of revisit the 2009 election. I know people have strong emotions, feelings about that. What I do want to tell you that we are under new leadership now. Christy Clark brought with her a commitment to change.

As you know, she was a radio talk show host for 4 or 5 years with CKNW. She got to be a pretty good listener through that period of time. She understands that listening to people is absolutely critical, understanding what the issues are and how we can deal with the most effective way. I can tell you that I've really enjoyed the last couple of months working with Christy. It is stimulating, she is an exciting person, she's got lots of great ideas and I think tonight's town hall meeting is an example of one of those.

You know, what I can tell you that there's about 17,000 participants in tonight's call so congratulations Victoria, you should be very proud of that. The fact that as many of you have decided to participate in this town hall, I think is great. So [caller], I'm not going to defend how this was implemented. I understand people are angry about that. I will tell you that we have a new government, that we are going to be held to account and that we are going to make ourselves available, as I am this evening.

**Moderator:** Thanks, Minister. [Caller] has a question around the HST and service related industries. [Caller], are you on the line?

**Caller:** Thank you. Thank you, Mr. Minister.

I'm a little upset because I'm a small business person in the food business. I feel the tax was implemented very unfairly and that the total restaurants and small business was tax exempt on the food. The grocery stores today are still, the deli stores tax exempt, yet the restaurant businesses are imposed with the tax. On my contributions to Ottawa and I'm a very small business man, it has increased 3 times what I was sending before. You have eroded my volume because the traffic is down, contrary to that the price of gas is up which reduced traffic and you've also curtailed my ability to hire people which I normally would hire another 10 or 12 people over the Summer month's. You have also eroded my bottom line because I have to stay competitive, I have to create specials to bring the traffic in and quite frankly, it has affect my overall business tremendously. Thank you.



**Hon. Pat Bell:** Thanks, [caller] for calling in. You know as someone who's been in the restaurant industry myself as well for over 30 years, I can appreciate your concern 's you're describing this evening. I know that the restaurant industry is a very, very tough industry to be in, in good times and in tough times even tougher. I can tell you this from my perspective the way I look at it is I know that when the economy is strong, my restaurants will do well. I know you will do well as well when the economy is strong but when unemployment is higher, when times are tougher economically, people won't go out for a meal.

So our goal is to make sure that we have the strongest economy that we can possibly have and one of the things economist will tell you is that consumption tax like the HST will help support economic growth, the independent panel report that was released earlier this week suggested you know in the order of 24,400 new jobs, a couple of billion dollars incremental GDP activity over time. So, I know it is tough in a restaurant industry, it is always tough and I do believe that we will see a return to much more positive times for your business and all the restaurants out there regardless of what we do, we're going to see economic growth but under the HST model, I think it can work out over the long term.

**Moderator:** Thanks, Minister. We're down to our last 10 minutes or so. We're going to take another question or two. [Caller], has a question about the roles of federal government when it comes to the HST. [Caller], are you there?

**Caller:** I am. Okay, my question is the provinces have always had the right to collect their own revenues and we are not turning it over voluntarily to the federal government and they're willing to pay us over a billion dollars for the privilege of taking that away from us. What is the win for the federal government that they are so willing to buy our privileged away from us?

**Hon. Pat Bell:** Thanks for that tonight, [caller]. I mean you know I'm speaking for the provincial government perspective. So you know, it is hard for me to fully assess the federal government's position on this. But by being able to have a single tax system and by having a consumption tax or value added tax like we have here, it is pretty clear that it's good for the economy and builds long term economic growth.

If you look at the provinces that have converted to the HST system, the first year is always challenging but once you get through the first year, you start seeing incremental economic activity which helps build the Canadian economy and help support other direct revenues to the federal government so it is about economic stimulation and growth that doesn't help individual consumers. I know people are frustrated about that but from an economic strategy, it's positive for the province and the federal government

**Moderator:** Thanks, Minister. We're going to take one more call and then please stay on the line everyone because you do have an opportunity to leave your comments after this next call. [Caller] has a question about the HST and how it benefits the individual. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Yes, I am here. My question is that all the government news releases claim the HST tax shift will boost new business investment. Well, I've been reading on that and I haven't found that evidence and what I have found out is in 2007 from the C.D. Howe Institute, a study done by a professor there, that's study, that one study was what Ontario and BC government relied upon to bring this HST into fruition. And I'm just wondering if there was enough study done by the BC government? I don't remember what that man's name was, his name is Smart and how smart was the Smart Study and I don't know if your government people have read that or you have read that and have you read that study, [caller]?

**Hon. Pat Bell:** No I haven't, [caller] but thanks and you know I think your point is a good one. You're wanting to know how much thought was actually put into the HST prior to making a decision?

I can tell you that we have a group that travels the province, a finance committee before every budget is issued. You may have had the opportunity to participate, you're probably seeing something in the media about it, it's a committee that has brought as government member as well as opposition members, both BC Liberal and NDP member that sit on it and as they travel the province, they hear from communities in terms of what the important things are that they would like to see us do on each year's budget. Over the years and speaking to the chairs of that committee, I can tell you that almost every year, a harmonized sales tax system ends up in the top 5 or 10 items that are requested from the finance ministry in the past. We chose not to go down that path, but because of the economic situation that we were facing in 2009 with the challenges of an increasing deficit, reduced public revenues and increased need to spend on infrastructure and programs to help support the economy, the incremental funds from the federal government, the 1.6 billion dollars certainly made it much more attractive. So we had a flexible system that we're allowed to move forward on but the Smart report is only one of many, many reports that really speaks to the value of a value added tax system. So [caller], thanks very much for calling in this evening.

**Moderator:** Okay. Thanks, Minister and thanks to all our participants. We have racked up questions. Now if you didn't get a chance to comment or ask your questions, you still have an opportunity to do that. Just stay on the line, when the call is finished, your prompt and you'll be able to leave a message. So thanks for participating. Minister, any final comments?

**Hon. Pat Bell:** Thanks very much, [caller]. Just very quickly, if I can leave you one message tonight, it is that this will ultimately be probably the most important opportunity you have in your life to impact tax policy in the jurisdiction in which you live and you need to take that responsibility very, very seriously. So it is my hope that you get as much information as you possibly can, independent information. Don't listen to the politicians, don't listen to the anti-HST people, go to the reliable sources, universities, institutions, independent panel reports, economists and then make your decision on what's right for you. This is huge for all of us, for our children, for our grandchildren and I hope that on June 24th, you take the time out to mark your ballot.

**Moderator:** Thank you very much, Minister. Once again, if you didn't have a chance to ask your question or to make a comment, just stay on the line, when this call has finished, you'll hear a prompt and then

## Check Against Delivery

you'll be able to leave your message. Thank you everyone for taking part in this tonight and thank you, Minister. I now formally close this town hall. Goodnight.

## VANCOUVER TELEPHONE TOWN HALL SUMMARY

Date: May 12, 2011

Host: Minister of Finance, the Honourable Kevin Falcon

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
188,287	52,939	38,958	14	74%	245	21

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the last of eleven regional town halls conducted by Government with British Columbians.

Minister Falcon responded to 21 questions and/or comments during this call. Issues that arose from citizens of Vancouver included the following:

- Concern about taxes to be created if HST is defeated; concern about high amount of taxation; benefits of income tax vs. service tax;
- Reduce HST; incrementally reduce HST; VAT lower in other countries;
- Exemptions for full-time students, young people; gym memberships/athletic fees; children's activities, books, school supplies, shoes; death/funeral costs; restaurant meals; leaky condo repairs; used vehicles, Registered Massage Therapy;.
- Complications of claiming the input tax credits.

**May 12, 2011 Transcript: Vancouver Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST town hall with BC's Finance Minister, the Honourable Kevin Falcon. My name is Alison and I'll be the moderator for the town hall this evening.

Before we begin, I'd like to say a few words about how this town hall will proceed. The minister will have some short introductory comments and then we will proceed with a live question and answer period. A word about privacy: this call is being recorded and will be transcribed and posted on our website. So if you do not want your ideas, comments or opinions to be part of the transcript, I recommend that you remain in listening mode.

So that we can include as many of your questions and comments as possible on this call, please keep them short and to the point. If you wish to ask a question during the town hall, please press star 3 on your key pad and you can start doing that now. That's star 3 on your keypad. You will be connected to an operator. For your privacy, please use only your first name when speaking to the operator.

We want to hear a wide variety of views and questions from the audience tonight. The operator will make sure that we reduce duplication of comments. When you hear me announce your name, your line will be open and you can ask the minister your question. After you've asked your question, your line will be muted so the minister can respond. You will be placed back in listening mode. Please note there will only be questions and answers during this town hall. We won't have time for follow up questions. I ask also that you use polite language on this call. Anyone using bad language or swearing will be cut off.

Later in the call, you'll be able to provide your feedback on the HST directly to government by answering a couple of multiple choice questions. These questions are not scientific but they provide an opportunity to engage you on some important questions about the HST in BC. Thank you for your patience everyone. We will do our best. We may not get to everyone who has a question or comment for the minister tonight. However, if you stay on the line until the end of the town hall, you will have a chance to leave your comment in a recorded message. Again, if you would like to ask a question, please you can now press star 3 on your keypad. I'm going to turn this call over now to Minister Falcon.

**Minister Falcon:** Thank you and good evening everyone and thank you very much for joining me on tonight's town hall meeting. We're one of the first governments that have actually utilized this technology and I have to say that it's been extraordinary. We've had some 200,000 British Columbian join us on the respective town halls that we've been hosting over the last couple of weeks. So I very much appreciate you all took the time to join me and it's a great opportunity for me to hear directly from you and listen to what you have to say about what I think is a very important issue facing all of us.

First, I want to be very clear in acknowledging that we as a government did an absolutely terrible job in introducing HST and not explaining any of it to the public at all. I apologized for that. We take responsibility for it and it's one of the reasons why I'm on the call tonight. It's a way of making sure that you've got the information you need to make an informed decision on whether we remain paying the HST or go back to the 2 tax system of the PST plus the GST.

But it's also to listen on how we might improve the HST and generate increased support for what at the end of the day I really do believe is good sound tax policy. So just to recap on HST, it is important to remember, 80% of consumers' spending remains unchanged under the HST. 20% of consumer spending now includes the additional 7% PST. So when we harmonize the 5% GST with the 7% PST. That's where the 12% comes from. But it's important to point out that although it doesn't change for 80% of consumer spending. There's no effect of difference there is on 20% and that's why you will hear about restaurant meals or getting haircuts or what have you and I want to be very upfront about that.

I also want to say that there are some benefits to the harmonizing of those 2 taxes. The key one as far as we're concerned is that there's a significant improvement in our province's competitiveness. In other words, from a provincial point of view, not only do we no longer need 300 tax auditors in the Province of British Columbia to handle all the paperwork and the auditing associated with the separate provincial sales tax system that's gone in a positive \$35,000,000. So we see those cut not having it. But we also relieve the small business community of about \$150 million a year. The complaint is associated with doing the paperwork and dealing with auditors on the PST and also on the GST.

It's also important to know that today as a result of HST, there are 1.1 million low income British Columbian who are now receiving an HST credit. This is the provincial credit that we're providing of \$230 per individual including children with family income up to \$25,000. Under the PST, it's important to note that those same families would only receive a maximum of \$75 rebate credit in their income tax and that was only for adults. So nothing for the kids, just \$75 rebate for adult, nothing for children and that credit was phased out at just over \$18,000 of income, family income.

So tonight I want to hear about your thoughts on HST and any ideas you may have on improving it. And the only thing I would ask is just that to have folks think about the fact that everything we do of course is a trade off. So if we're going to make recommendations, one of the things that I have to, as Finance Minister, try to make sure we balance that against the requirement to have a balanced budget under our own balanced budget legislation. So we want to keep an eye on our deficit issue. But we also want to make sure we think about the spending requirements for health care, education and some of the other social programs people talk about. That's not to say, the issue of bringing forward ideas. That's why we're here. We want to hear them. How do we improve it?

The final thing I'll say is at the end of June, you're going to be able to vote on whether we keep the HST or go back to the PST plus GST. And that information will be mailed out to you by Elections BC but just know that you've got up until July the 22nd to make sure you return that ballot and get your vote in. Final point is there is no such thing, in my view, as a stupid question. So don't feel intimidated or shy. Go ahead now, ask whatever you want and I'll do my very best to answer it. Thank you so much for joining us.

**Moderator:** Thank you very much, Minister. That's Mr. Kevin Falcon, the Finance Minister for British Columbia and we can go straight to the phone lines. We got quite a few questions lined up already. [Caller] has a question about exemption. Go ahead, [caller], please.

**Caller:** Yes, my question is, maybe you should expand the concept of exemptions to such things as full time students. You've done it for low income people, but maybe you should expand that concept. That might make the HST a little more popular.

**Minister Falcon:** Thank you, [caller]. So if I understand the question correctly... tuition is exempted. So there's no HST on tuition. If the issue is, are the students getting rebates, the answer is yes. Most students typically fall into the low income category. So virtually, all of them are receiving the \$230 a year of HST benefit. So, thank you for the question, [caller].

**Moderator:** A reminder to everybody. If you would like to ask a question of the Finance Minister, then please press star 3 on your keypad. Let's go now to [caller] who has a question about taxes in general, number of taxes. Go ahead, [caller].

**Caller:** Hi, Kevin.

**Minister Falcon:** Go ahead, [caller].

**Caller:** I'm just wondering...all these taxes is really for a better word, taxing. I'm just wondering about the young people that are coming up today, how are they going to survive?

**Minister Falcon:** Very good question.

**Caller:** Too much, my dear. Come on, the carbon tax, for one.

**Minister Falcon:** So, [caller], that's a very good question. So, first of all with the carbon tax remember that the carbon tax is revenue neutral to government. We actually lose money in the carbon tax. So every dollar that comes in we send back out in the form of personal income tax reduction and small business tax reduction. So it's just important to keep that in mind in the current fiscal plan, the 3 year fiscal plan, we're probably sending out more than we're taking in on the carbon tax to the tune of about \$760,000,000. So that was because we underestimated how much revenue comes from.

But you're other; the first point of your question is valid. I hear it all the time. People say, look, I'm paying an MSP. I'm paying on HST. I'm paying on all these different things. And government you need to understand the impact that that's having. This is a particularly closer into my heart because I ran throughout this in 2001 tax review with these kinds of things. We have the highest personal income tax-rate, the marginal income tax rate in British Columbia was the highest in North America when I first got elected in 2001. We have reduced the personal income tax rate in British Columbia by 37%. We've taken the general business rate from 16.5% down to 10% and the small business rate. We've effectively reduced by over 50%. So I think we started getting our tax position in a fairly, fairly good place.

One of the things that I would like you to do, if you can, is to Google online. You can look at our 2011 budget and then the back of that budget in appendix 8-3, you will see that there's a sheet that lays out typical families like it's got examples like a seniors couple earning \$30,000, a family of 4 and then \$60,000 got different sort of typical family situation and it does a comparison with all the taxes included. So, MSP premiums, HST, property taxes. It just lumps in all the taxes that we typically pay and it



compares us to how we rank with the other provinces and what I can tell you if you go to that appendix 8-3 of the budget 2011 or call my office and I'll send it to you either electronically or fax it to you. What it shows is that British Columbia is the second lowest over all tax jurisdictions in the country and Alberta just slightly lower. So, that doesn't mean we're in perfect shape. And I still know it is tough for families and it's one of the reasons why we're saying with respect to the HST how can we improve it to benefit families? But thank you for what I think is actually a pretty important question, [caller].

**Moderator:** And thank you very much. Remember; press star 3 on your keypad if you would like to ask the Minister a question. Let's go now to [caller] who has a question about what happens if the HST doesn't go through. [Caller].

**Caller:** Hi, I'm just wondering what sort of other tax will be dreamed up if the HST doesn't go through. And you know another thing that I'm concerned about is the... actually we're paying a whole bunch of other hidden taxes that we don't even hear about. You know when stuff comes over the border we're taxed automatically, you know ... cigarette taxes, I don't smoke by the way. But there's a lot of talk here that the gas tax and everything. I mean, we're just, we're just being blind-sided with taxes everywhere you look.

**Minister Falcon:** Thanks, [caller]. So, a couple of things... Your last point first. First of all, gas taxes are - HST makes absolutely no difference in gas taxes. So we made a conscious decision to exempt gas taxes from the provincial portion of the HST so there have been no change whatsoever.

With respective border, there's been no change there either, [caller]. So that if you cross the border and you purchase goods down there and you declare them, you're required to pay a tax at the border and that has not changed. In fact, [caller], interestingly the other night when I was doing another electronic town hall one of the questions was, all my retail spending taxes have gone up and so on. Now, we're going over to Washington State to do cross border shopping because I'm trying to save money for my family and one of the things I pointed out, [caller], and I live by the way in a border community in Surrey - and I'm right next to highway 15 which goes down to that, one of the busiest border crossings in the country, the 4th busiest - and one of the things I pointed out is that retail spending and sales, nothing has changed. It used to be 7% PST and 5% GST on you know clothing and on electronic goods and all those kind of thing. And it's still 12% under the HST. So I said to the caller, if you're going across the border for that reason, also know that in Washington State they have a 9.5% sales tax that also covers nails and everything else. So I just think folks should know that the savings that you may think you're getting, if you're making the decision on the basis of HST is probably not a sound decision. If they just think they can get better prices there, that's a different decision and I wouldn't make an argument about that.

But you know, [caller] on the overall tax question again, that's why I suggested that the folks want, I'm happy to send it to him or if they can go online and look at our budget 2011, appendix 8-3, it does lay out all of those sort of hidden, non hidden taxes on a typical family and it lays out different scenarios depending on what your income may be. And you will see compared to other provinces with respect to that. So thank you for that.

**Moderator:** Let's go now to [caller], who has a question about further reductions or exemptions. Go ahead, [caller].

**Caller:** Hello.

**Moderator, Minister Falcon:** Go ahead, [caller].

**Caller:** Hi, there. Thank you for putting through my call. I have just a couple of quick questions in regards to health care. I just note in that stuff like gym membership fees, athletic fees, ballet, karate stuff for the kids is all going up to 13% as well as death and funeral costs. It's stuff like that to make the Province healthier. Do you think you might consider withdrawing?

**Minister Falcon:** Oh, thank you, [caller]. So you're right about that. First of all, the distinction I would make is that if it's a publicly delivered service or if it's in a public facility or public delivered by some government agency or something, then it is HST exempt. But you're absolutely right to point out that if you're sending your kid to private karate classes or if you're getting a gym membership, you are paying the additional 7% portion now because of the harmonization of the PST and GST and I have to tell you that from a health conscious man, this is one did. It did trouble me a bit because I was always bothered by the idea that you know, we're basically taking some of those things. You're trying to encourage people to do and we're having an additional cost put on top of that. And there's just no doubt that that is true.

But, [caller], it's one of the reasons why we're doing this listening exercise because we're looking at how do we immediately rate or minimize the impact particularly on families. We've got a premier, Christie Clark, who has made it very clear that our focus is going to be on families first. We want to make sure that we do whatever we can to try and relieve the burden on families. I've made note of your suggestions, [caller], and I appreciate you for giving them.

I should say, by the way, I must apologize to the last caller. He actually asked a question I didn't answer. I answered 2 of his questions; I missed the 3rd point which had to do with what are the costs of going back to PST plus GST. If I could encourage folks - you probably heard about an independent panel report that was done - you can visit a website that's called the HST in BC dot ca, and there's a copy of the independent panel report. It's received a lot of coverage because I think virtually everyone has said that it was independent and it pointed out the facts good and bad about HST. And the title says it all. It's your decision. So it's saying to people look here is what we, the independent panel, say. You go ahead and make up your mind.

One of the things the independent panel pointed out is the impact of government going back to the PST plus GST system. There are some significant fiscal impacts as a result of doing that. Now, what you normally hear about it is to talk about we have to repay the Federal Government 1.6 billion and that has to do with transition dollars that the Federal Government provided the province of British Columbia to ease us into harmonization. So those have to be repaid. But in addition, they pointed out that over a 2-year period the additional revenue loss to government is also another roughly 1.2 billion dollars. So just in a 2 year period, we're looking at almost 3 billion dollars fiscal hit.

Now, having said that, I want to be clear that does not mean that going back to PST plus GST is not a legitimate option. It is just pointing out that there are challenges. There are challenges on both sides and that's one of the challenges that I forgot to mention to [caller]'s questions. So thank you for letting me take a bit more time now.

**Moderator:** Thank you, Minister. And let's go now to [caller] on the line asking about the cost of retail. [Caller], go ahead.

**Caller:** Hello, Kevin. I've got another couple of questions since I talked to your assistant. Taxes are just killing us. I recently paid what should have been an airfare of \$208. It became \$332 in change with the taxes. Personally, I'm all for simplifying and having it all in one peg. However, seems to me that when we had PST and several tax things were more open, it was very...we were all aware that there was no PST on certain things. Now, my biggest problem with the HST recently is many retail people seem to be using the HST as an excuse to jack their prices up unnecessarily high. And I know this is happening because as soon as this tax came in to play, I saw the prices go up, soar more than the actual percentage of HST and more than cost of living. And when I would point this out, I was informed that the merchant or rather the business was having to pay HST and other costs to them, you know, services. And I've even been given this kind of spin around by my own building manager.

I know a lot of people are very angry about their cost of living being increased even higher than necessary by the HST. So my question is, does the government have anything in mind about monitoring the situation by informing businesses that they're going to be watched for this kind of thing?

**Minister Falcon:** Thank you, [caller]. I will try to keep my answer short. This is a really good question. But it's not an also an easy question so I'm going to have to take a couple of minutes and I ask folks for their understanding here. Because I think, [caller], you raised an important point.

First of all, with an airplane ticket, you should know that every time I buy a ticket, I see that - doing it drives me crazy. Most of that are federal levies. There is HST on there but there's a huge ton of other levies that are mostly have nothing to do with the province but nevertheless they do a cost. With respect to retailers, so again, what happens if you read the independent report, what it will tell you is that there is about a \$750,000,000 benefit to the business communities, small businesses, large businesses. And here's what the benefit is and here's why we harmonize. Because when the original PST was introduced - it's referred to as a retail sales tax - that's what it is - and when it was brought in 1949, that was back in the day when you know we were largely a goods manufacturing society and so goods had a retail sales tax called the PST applied to that.

Now what you need to know is when the GST was brought in, it went through the same firestorm that we're going through over the HST because the GST replaced a former sales tax called the Manufacturing Sales Tax. And the reason why the Federal Government in the 1990's got rid of that and replaced it with the GST was they were mirroring what was happening all around the world. One hundred-forty jurisdictions have all switched over to harmonized sales taxes or what they sometimes call value-added

taxes. And why is that? Because what happens is that under a manufacturing sales tax or under a retail sales tax like the PST, you are paying an invisible PST because all of the businesses whether it's a small retail shop or a large business, all have these PST costs that they're paying that are passed along to you. That's why it's called the invisible PST. You probably pay it at the end like when you're going to a retail store and you buy your, you know, shirt or your pants or whatever. You're still paying 12% under HST like you were under PST GST. But the difference is that you're also paying the invisible PST that they are paying on heating light computer equipment vehicles a whole bunch of input costs that they have. And believe me; I think most people would agree that when business is being loaded up with those costs, they generally pass them along.

So if you accept that that's generally what happens, they don't eat all those costs themselves, they pass them along, the reverse is also true, at least theoretically. That if they now receive a benefit as they do under the harmonized sales tax what happens is all of those costs are now stripped out. They get them all back. They get input tax credits on every dollar of GST and PST that they pay under a harmonized sales tax and what that means is that their costs are reduced. And when their costs are reduced they get more savings through to the customers.

Now if they don't and you know not everyone has to, but generally speaking, in a competitive market environment, if one business says, you know what, I'm just going to keep all that. I'm not going to send any of those benefits to my customers and their neighbouring businesses, well, I'm going to pass those savings along to customers in the form of lower prices, then they're probably going to be hurt in the market place generally speaking. Now, you know, it's legitimate to have scepticism, but all I can tell you is that the independent analyst that have looked at this; Michael Smart back east was a well respected economist who looked at what happened in Ontario with their HST and he said that within 6 months, they were able to track that most businesses were passing along some of those savings...it may not be in the form of price reduction. It may be but it may not be. It could also be in the form of increases not being as high as they might have been given other pressures the business maybe facing.

You know, we don't know what you're paying for cost of goods etcetera. So that's why I took a second on there because I think it's an important point. But at the end of the day, what the independent panel report says is that those invisible taxes, once stripped out, result in generally lower prices over time. It doesn't happen the next day. It happens over time usually within the 12 month period and most of those are truly seen and it's an advantage for the company over all because it encourages investment. It encourages the creation of new businesses because they're now, they're rewarded, not penalized from making investments in the businesses and that creates job growth that generates additional revenues, ultimately, for government as a result of the increased economic activity and that helps support important social services. So, in a nutshell that's what the report says.

The other thing the independent report says - I want to hasten to add - is that for the average family in BC there is an additional cost of about \$350 per year. So I want to be upfront about that. And one of the reasons why we're having this listening exercise is we're looking for ideas on how we can improve the HST and reduce or eliminate that additional cost on family. Thank you.

**Moderator:** Let's go now to [caller] who has a question about the PST. [Caller], go ahead please.

**Moderator:** Are you there, [caller]?

**Moderator:** He doesn't seem to be there. Let's go to [caller] who has a question about the HST versus income tax. Go ahead, [caller].

**Caller:** Hi, Kevin. I've got a sort of a general question about why is the service tax preferred over an income tax to raise government income. For example, if I were to work in a service industry, I have to pay 14 cents on the first dollar I earn. But if it was income tax, I wouldn't start paying tax until I reach a certain threshold like my personal exemption \$15,000. Could you explain that better to me?

**Minister Falcon:** I sure can. Generally speaking, [caller], what you will find and the reason why a 140 jurisdictions - countries around the world - all have moved towards harmonized sales taxes or value added taxes, which is what they call them, and not stuck with or gone back to a retail sales tax which is what the PST is. It's because they are much more efficient in terms of encouraging economic activity investment and frankly there are fairer way of making sure that people are paying in accordance to what they earn.

By way of example, let me use the HST. The independent panel report for example points out that 40% of the cost of the people that are paying HST is the people that are earning over a \$100,000 a year. Because they, in other words, they're picking up 40% of the cost. Then the reason is pretty straight forward because they are spending a lot more if they go buy a yacht or dinner every night at expensive restaurants or whatever the case maybe. They're the ones that are paying this, because they earn more. They spend more and when they spend those dollars, the HST is captured in the lower end of the scale.

That's why the independent panel report points out that for students, for example, or really low income seniors, they actually come out ahead with the HST rebates. They're generally not spending as much because they don't have as much income. And so, you know, with the rebate, many of them come out ahead in fact. They're just not spending that much money to be able to generate the \$230 of additional PST that's now part of the harmonized sales tax, in that situation.

You pretty much can't find many economists that would not say that it is more efficient way to actually generate taxes and I have to say that in BC case we have a unique challenge. I speak quite knowledgeably about this because I'm a former health minister that oversaw a budget increases in health care of 20% over a 3 year period. That's just in 3 years; over 2 billion dollars in spending increases in health care. And the reason is that we have an aging population in BC and we have a shrinking work force and as the population ages, they're not earning as much and we want to make sure that we have a tax system. I think that is the most effective, efficient possible tax, that regardless of the income, they're paying in accordance to what they're spending. And that's why I think that HST is much better than going back to a PST model or retail sales tax because there hasn't been a jurisdiction in the world that has introduced a retail sales tax which is what the PST is anywhere. The last country I could find was Barbados in 1975 introduced sales tax, retail sales tax like the PST and got rid of it a year later. Every

country including China and it doesn't matter what their political pedigree is have moved towards harmonized sales tax approaches.

**Moderator:** A reminder to everyone that if you would like to ask a question, please press the star 3 on your keypad. And we are on the line with BC's Finance Minister Kevin Falcon. Let's go to [caller] now who has a question about buying a house. Go ahead, [caller].

**Minister Falcon:** Go ahead, [caller].

**Caller:** Yeah, hi. I actually have a couple of questions. Sorry since I have a question. Another question came to mind as well if you don't mind.

**Minister Falcon:** Go ahead.

**Caller:** So the question number one is that I'm a young family trying to start out and buy a house, and now having all these new rules and regulations that just came in to play with mortgages, and on top of that having HST. It really puts me out of reach for being able to purchase a house. So I know that you know more foreign money is coming in these days and it's scooping up a lot of the houses. But locally, most of the young families cannot afford a house in Vancouver.

Secondly, as to the point earlier we've made about retail, I've noticed for instance, restaurants. They are suffering naturally, not only because of HST of course with the alcohol rules that have come in to play. If you go in to most small you know boutique, kind of restaurants, you see them half of the time half empty or pretty much empty most of the week, the only time you see that there's any people in there is either on Friday or Saturday night. So it's really hurting our restaurant food industry as well. I just want to find out what your feedback on this and what do you think?

**Minister Falcon:** Thanks very much, [caller]. So the second point first, which is restaurants. And believe me; I've met with the lobbying association for the restaurant industry. I've met with individual restaurant owners. I've met with people that work in restaurants and what I hear to be perfectly candid is a lot of them say, you know what, HST frankly has had minimal impact on my business. And in fact, that's significant, if they're opening up a new restaurant or expanding their restaurant or anything that involves investment because of all the things that... Imagine if you're opening a restaurant. All the construction materials costs for example no longer have PST attached to them. All of the costs of buying tablecloths and glasses and knives, forks, plates, everything that still have PST. All those costs are now stripped out so there are significant savings in terms of opening or expanding a restaurant operation.

Having said that, I want to be clear: there is an impact on restaurants and it depends which restaurants you talk to. There was a fellow on CKLW radio a few weeks ago that was a restaurant owner that phoned in. I heard him and he was basically saying, 'look, when the news came out, I was very public. I signed the petition. I said it's going to wreck our industry. But I have acknowledged that in fact our sales have improved. It hasn't affected my restaurant the way I thought it was. And I have to call myself now as supporter of HST.' And I've heard that a lot from a lot of different restaurant owners.



But I want to say this; that all the debts, the change we made to the drinking laws has had a real impact and I don't want to deny that in terms of liquor sales. Now what the change was that the .05 law is now much more, there's tougher penalties associated with being captured with the blood alcohol level reading. At .05 it is, there's no question that has had an impact in the restaurant sector and I think most of the restaurant people would acknowledge probably far more so than HST. But, having said that we've also seen a reduction of some 50% in fatalities associated with drinking and driving.

And so, as we said with the restaurant industry, let's figure out how we can try and recognize and deal with that. But let's not throw out the baby with the bathwater. And the final thing I'll say is, I've had this debate a little bit with the lobbying group for the restaurant industry who are saying, you know, that this guy is [unknown] in our industry, I'll never recover if you don't get rid of this, the additional cost. If you go to London or Paris or Rome or any of the great cities of the world that are pretty amazing, they're known for the restaurant industry. They all have value added taxes and frankly they're more than double the rate of our HST. Our HST rate of 12% is the lowest in Canada. It's way lower than it is in Europe and somehow they still manage to not only have a restaurant industry but it's pretty thriving.

To your first point about housing, you're starting out in housing and what we did in recognizing that we didn't want to have an impact on housing. The first thing you should know is that if you're buying or selling a house that someone's lived in before; in other words, a used home or used condo, there's absolutely no HST. So for 90% of the housing activity, there's no change. If you're buying a new home, what we did was reintroduce to make sure there'll be no effective change in additional cost if you're purchasing up to a \$525,000 home. So on the west side of Vancouver for example, if you're starting out, I'm presuming that you're probably buying a condo in Vancouver. I'm from Surrey and my first buy was a townhouse. My second buy was a single family residence. But in Vancouver, I suspect most first time buyers are probably entering the condo market, just because the single family homes are so, so expensive. But looking at the Greater Vancouver real estate board that the medium price for a Vancouver condominium on the west side is about \$520,000 and on the east side, it's about \$380,000. Both of those would be underneath the \$525,000 threshold. That doesn't mean that you might not end up paying more and if you pay over \$525,000, then yes you are paying an additional cost on housing. So we try to work with the development industry to try and identify what is the right threshold level on that. So I've made a note of your comments. I think it really comes back to trying to minimize the impact on young working families trying to start out. So thank you for that.

**Moderator:** Well, thank you, Minister. We now have the first of two feedback questions to get your thoughts on the HST. I'll be asking you to select an answer by pressing a number on your keypad. Please listen carefully to the option. I will read the question and the answers twice.

Here's the first question: Government's HST revenues increase faster than PST revenues because the tax pays for HST is broader. If you could only pick one way to use any additional HST revenue which of these would you choose. Now, there are 3 options. The first one is increased spending on health care and education. Press 2 if you like that option. Reduce BC tax burden, press 3 if you like that option. And provide additional support to families with children. Press 4 for that option.



I'm going to read the question again: Government's HST revenues increase faster than PST revenues would have because the tax base for HST is broader. If you can only pick one way to use any additional HST revenue, which of these would you choose. Again, the 3 options... Increase spending on health care and education, press 2 for this option. Reduce British Columbian tax burden, press 3 for this option. To provide additional support to families with children, press 4 for that option.

We can go back to the phone lines now and just before we go to [caller], I would just like to remind people...I know you've been waiting on the line a long time and you have lots of questions that you'd like to ask us. If we could just get one question from each person, that would allow us to get more questions in. So let's go now to [caller] who has a question about exemptions on the HST versus the PST. Go ahead, [caller].

**Caller:** Oh, hello, Mr. Falcon. Thank you very much for admitting that the Campbell government shot itself real badly in the foot on this whole question. I'm still amazed about it, but anyway, thank you for answering my question. The only way you'll get me to vote yes on the referendum in favour of the HST is if I know the whole story of what the exemptions are to HST and I haven't been able to find it so far. Here's my question: what items and services specifically; I just need a list. Will it be made available for us to see what is exempt from HST?

**Minister Falcon:** Thank you, [caller], and thank you for pointing out the fact that again, we did do such a spectacularly bad job on introducing it.

You're right, we shot ourselves in the foot and reality of the issue for me is I just want to make sure that our stupidity, and how badly we introduced it and then didn't explain it to the public; I don't want good public policy to pay the price for what was a very incompetent handling of that whole situation. So, I accept your correct criticism. What I can suggest to you, [caller], is that if you go to HST in BC dot ca [hstinbc.ca] and look at the independent panel report. It lays down what's new; what's changed. What costs more is laid out really nicely so that you can see it there. If you want more details, like every single item, we can arrange to get you that done.

Send us an e-mail and look on the site. To be honest, at one point I think there was a very exhaustive itemization of every single thing that was increased in cost, and the same; all of the rest of it. So go to HST in BC dot ca, and you should be able to find it there, [caller]. Thank you.

**Moderator:** A reminder if you would like to ask a question, it is star 3 on your keypad. Minister, we have most of the people on the line now and I wonder if you could repeat some of your opening remarks for those who may have missed them.

**Minister Falcon:** I certainly will. So, I just wanted to thank all the folks that have joined us. I understand we've got almost 30,000 or 29,000 people that are with us on this telephone town hall tonight. So thank you all for joining.

At the beginning, I just talked about the decision we made to move forward on HST as I just pointed out in my last answer, it was very poorly, not well communicated at all, and very poorly introduced. And one

of the things we're trying to do tonight is - two things: Number one, answer questions to make sure... I'm trying to do best to make sure that we provide the information to British Columbians, answer questions they may have or concerns they may have. But also to listen to see if there are ways that we can improve the HST to ameliorate or minimize or eliminate the additional impact that it may be having on families. It's something that our new premier has made very clear that she wants to make a priority.

So that's why we're listening here tonight, to see what we can do to improve it. And we also talked and through the answers to the different questions. I get to address a bunch of things, but in a nutshell what I would say is the thing to know about HST is: 80% of consumer spending remains unchanged. In other words, we used to have a 7% PST and a 5% GST which is 12%, and under HST we also have a 12% harmonized sales tax. The difference is that we now have 20% of consumer spending that now includes that additional 7%, and that's something that I would just want to be really upfront about. And there's a whole bunch of reasons why we did it, but in a nutshell I would say it's because we're trying to mirror... the introduction of the GST was, when it was introduced in the 90's, it replaced the manufacturing sales tax, which imposed all these costs on small business and large business. They get passed along to the consumer invisibly and the consumer also paid. That's exactly the same thing with the PST. And so under a harmonized sales tax, all of those are stripped out. The invisible PST cost is eliminated and you now have one tax that's paid. The final consumers though - all of those additional costs are eliminated - that ultimately results in more competitive pricing for the consumers, because those costs are now gone. In a more efficient, hopefully growing economy, with more jobs that will generate more income ultimately for government. So thank you for joining us tonight.

**Moderator:** And thank you, Minister Falcon, the Finance Minister for British Columbia. Let's go the line again and talk to [caller] who has a question about tax on children. Go ahead.

**Caller:** Thank you, Mr. Falcon, would you consider removing the tax on children's clothing and shoes and also on their school supplies and books. This is really hitting families very, very hard. I live in East Vancouver.

**Minister Falcon:** Thank you, [caller]. And so one of the things that is important to know is, that under the HST, we have exempted the provincial portion on children's clothing. So if you're buying children's clothing, you're not paying the additional 7%, you're paying the 5% GST that you're always paying.

What has changed though, [caller], and the criticisms that I've heard - and it's legitimate - is that some kids are just big kids. They're adult-sized children. So when you've got adult-sized children, they often don't make the grade in terms of what exemptions are for children's clothing. Because we've harmonized with the GST, the HST now operates on exactly the same rules as the GST and so that is true. I've made a note of that. There's an additional cost for adult-sized children that parents are paying, and I acknowledged that.

Just as an aside, I have to say that under the PST, the biggest challenge with PST - when we were running our own provincial sales tax, and the reason why we needed 300 tax auditors at a cost of \$35,000,000 a year - is we have to decide what it applies to and what it doesn't, and children's clothing was one of those examples where you may recall in the olden days, pre HST, they used to have to.

If you're buying clothing for kids, you'd have to sign that form, remember at the cash register and you'd write down your name and say it's for my kids and then you would get exempted on the PST. But what happened was, the small businesses, all the retailers had to keep all of those sheets. All of those sheets had to be audited by our auditors. The retail businesses would be phoning to say, our competitor is not doing it the way we're doing it, and so a lot of them are running around auditing people. It used to be the number one complaint I used to receive. But that is the challenge of a retail sales tax. We used to charge it on red, green jackets, but not yellow rain jackets. And you know on and on it goes; you have to define what it applies to, what it doesn't apply to and it gets very complex. It had a lot of people burdened and you know it results in a lot of administrative duplication, and burdens that were eliminated under the HST because you operate under one single system: one piece of paperwork that you have to do with the feds and you eliminate all of those provincial costs. But thank you, I've made a note of that.

**Moderator:** We go now to [caller] who has a question about the HST on renovations. Go ahead, [caller].

**Caller:** Yes, I live in Vancouver and I got a lot of letters today from the council. I live in a condominium and we have to replace the roof, which is supposed to cost \$111,000, and of that, the HST is \$10,663. My question is if there was no HST, how would that compare with PST and GST?

**Minister Falcon:** Sure, so in the case of renovations like that, what happens is, whether there will be a reduction in prices on the cost of materials. So those prices will be cheaper as a result of the PST no longer applying, so when you buy all of the roofing materials, etcetera, there will no longer be PST associated. So that will be cheaper, but what will be more expensive is the labour portion, because the labour portion will now have the HST, because it's harmonized. It will not just be the 5%. It will now include the 7% on top of that. And so, on net over all, you will be paying more as a result.

I'm glad you raised this one because I think it's really important to know that there are winners and losers, if I could term it that way, with respect to HST. When you harmonize, not everyone comes out ahead in every situation. But on balance - and that's what the independent panel report that I referenced, on the website HST in BC dot ca - that's what the independent panel report points out. It says, look, in some cases you are going to be paying more, and that would be a really good example of that.

But overall, on balance, the benefits far outweigh the costs because you have a much more efficient, robust tax system that generates more investment, more job creation, more economic activity, which ultimately generates more revenues back to government to support social services like health care and education, etcetera. But really good question, [caller], because I think it's really important to make that point, that not everyone is always a winner. Just because business gets a break on a lot of the material costs, the consumer does not, in that case.

**Moderator:** Let's go now to [caller] who wonders about the benefit to the consumer. Go ahead, [caller].

**Caller:** Hi, Minister. My question... It's not really a question but really an observation that the HST is a consumer tax which means that everything that gets taxed through the small business ultimately is paid

by the consumer. The small business person pays nothing because he gets a credit for what he buys and then he charges the consumer on (??) and remits the differential to the government. The first thing is - when you said earlier that there was a HST credit given, oh, I think it's \$225 now versus \$75 earlier - which was a difference of \$150. That's really a benefit only on about \$3,000 worth of spending. So I don't see that as benefiting the retail consumer at all.

Secondly, since the small businessman is now getting a credit from the government when he remits the HST, whereas earlier he had to remit the money back as sales tax and manufacturing, on manufacturing, his cost has actually gone down. His cost would have gone down, as you said, and theoretically he should have passed that savings through to the customer. But in reality, the customer, the end customer, always could afford to pay whatever the price was. So the small businessman is not going to reduce any prices nor is any business. They're just going to pocket the difference and as a small business owner - if I was - I would do the same, because of all the other costs that are going up.

So I don't see that as benefiting the end consumer in any way fashion or shape. All that's happening is the burden is shifting from the small business more and more to the average person, because they're not a business person and they're paying more of the tax burden, and this is just another way to collect it through.

**Minister Falcon:** So thank you, [caller]. And I think you've raised a valuable point. So first of all, I really encourage you to have a look at the independent panel report at HST in BC dot ca [hstinbc.ca], because it actually looks at this very carefully and it comes forward and says that, for the average family, there is an additional cost of about \$350 per year for the typical family.

So I want to be clear about that. You're right that there is an additional cost. Now, it's one of the reasons why we're hosting this. Because what we're looking for are ways that we can reduce or eliminate that additional cost that the HST - we acknowledge - does impose. So that's why the listening exercise is important. I wouldn't disagree with most of what you said except for the comment that you made; the assumption that under PST plus GST, that people aren't paying the invisible PST; that all the businesses were being charged.

I can tell you I used to run a business, so I can tell you that when businesses are paying taxes, those taxes are flowed through to the consumers. There's just no doubt of that in my mind. And they were paying a lot of PST; they pay on virtually everything. And so I went to paying all those input costs that get passed along and I think most people will probably nod their head and say, I have a feeling you'll probably pass that along to me. Well, if you accept that they probably do, the reverse is also true that when all those taxes go out. What the - and it's not me saying it - with the independent economist, whether it's Jack [unknown], whether it's Michael Smart back east, or you know, virtually every credible economist will tell you that ultimately it doesn't happen overnight. But ultimately you will see, in a competitive market economy, where businesses aren't priced competitive, they lose. The consumers will go elsewhere. They generally do lower prices.

I'll just give you one good example. Fortis BC which now owns, used to be Terasen, which is now Fortis BC, where we pay a lot of our gas bills, has just written a piece that I saw on paper the other day, stating

that the elimination of the HST results in savings to that company, just over a million dollars a year. They are utility; that means if they have additional cost, they pass them on to consumers. If they have price reduction, cost reduction, they pass those savings on to the consumer. They're required to actually. And they pointed out, as a result of HST, they are passing along those savings that they receive as a result of that, directly to consumers. So, that's one example where we absolutely know for sure it's happening because it's actually mandated by law, because they are essential. So that's one example, but I think if you accept that in a competitive market economy, there's price competition, you'll probably accept my argument. If you don't, then you probably won't and that's okay too. But thank you, [caller].

**Moderator:** Let's go to the line now and [caller] is asking about the potential of lowering the rate. Go ahead [caller].

**Caller:** Kevin, I wondered if the government has considered incrementally lowering the HST?

**Minister Falcon:** Thank you, [caller]. Yes, that's one of the suggestions we do get on every telephone town hall meeting that I have hosted. That has been one of the recommendations. So it is one of the things I'm considering, and I'll certainly make another note of that from your point of view.

Just for the benefit of listening audience, a 1% reduction in the HST costs about \$850,000,000. So, it's one of those things as finance minister, I sort of, I have to suck it in. But this is something I have heard so I've made a note of it. But look, the whole point of listening is we're really trying hard to correct the screw up we made when it was introduced. And to say to the public, we want to hear your ideas. How can we reduce or minimize or eliminate the additional impact that - we acknowledge - the HST has on the average family. I appreciate your suggestion on this [caller]. Thank you.

**Moderator:** And thank you very much, Minister. We can go now to our second question or feedback question. We're interested in hearing your feedback on the HST. And I'm going to read the questions and the answers twice. And again, select your answer by pressing a number on your keypad.

Here is the question: If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up that revenue difference, which of these would you choose? There are 3 options. First, increase the PST rate, if you like this option, press 2. Wage, income taxes or other taxes; press 3 if you agree with this option. Or run larger deficit; press 4 if you agree with that option.

The question one more time: if British Columbians choose to return to that PST and GST system, there will be a negative impact to the provincial budget. If you could pick only 1 option to make up the revenue difference, which of these would you choose. The 3 options again: 1<sup>st</sup>, increase the PST rate. Press 2 for that. Raise income taxes or other taxes; press 3 for that. Run larger deficit; press 4 for that. Star 3 on your key pad if you would like to ask a question.

Let's go now to [caller] who is asking about what happens if the HST is defeated. Go ahead.

**Caller:** Yes, I'm curious to know, if the HST is defeated, are we going to now go back 2 years or 3 years and revise everything, or go from this point on forward.

**Minister Falcon:** Thank you very much for that question. So if you go, again, to the independent panel report at HST in BC dot ca [hstinbc.ca], they did a really good job on this. Essentially what they said is this: it would take about 2 years to unwind the HST and the primary reason for that is that the HST is an act of federal legislation. So the Federal government would be required to repeal its federal legislation and then we as the province would have to introduce a retail sales tax legislation again.

The PST legislation, if you will remember, is a very complex case of legislation, I can assure you. But we would also have to rehire about 300 tax auditors that had a cost of about \$35,000,000 a year to administer the paperwork and the auditing associated with the PST. So that's one part of the cost. The second part of the cost, which is more concerning for me, as the minister of Finance, is that we would be required to repay to the Federal government \$1.6 billion. One of the reasons why the HST option was really attractive to us as a government - if you roll back the clock a couple of years - you will recall that we were in the midst of an international economic meltdown that hammered our revenues really badly. In fact in one 60-day period, we lost over 2 billion dollars of revenue that we were not expecting. I was sitting there at cabinet table with the minister of health at that time - which is the biggest spender in government, almost half my budget - and thinking to myself, oh boy, this is going to be a big challenge. So the 1.6 billion dollars, which the federal government provided us as the way of helping us transition into the harmonization of our PST and the GST, were dollars that were much needed.

The problem is, if we cancel the deal and go back to the PST GST, then we'll have to repay the federal government that \$1.6 billion. And now some people say no, just don't pay it back, don't give it to them. But you have to understand how Federal offers work; they transferred dollars over to us as a province. All they have to do is deduct 1.6 billion dollars from the next transfer, if they want to, and you know that would solve that problem. So, in my mind, we kind of get it back one way or the other, whether we like it or not.

The other point of the independent panel report; it also notes that because the HST is smart and more robust tax, it encourages exactly what we want to see happen, which is growth in the economy. More economic activity, which ultimately generates more revenues for the province, plus it covers, as I mentioned earlier - 20% more services now have the 7% applied to them - because it is harmonizing with the GST. That incremental revenue is pretty substantial, and in just over the 2-year period that they mentioned.

So they make the assumption that it will take us 2 years to get out of it. So that in 2013, which would be the 1st year, we'd be back to PST and GST, the loss to the province in revenues, from going back to the PST, is \$531 million. The following year it's \$645 million, and it grows every year. So over a 2-year period, that's \$1.2 billion plus. The \$1.6 billion we have to give back and that comes down to almost 3 billion dollars less revenues that we will have in our budget. And I just, I don't want to sound like oh, this guy is [unknown] or anything, but I'm just telling you, as your finance minister, that is a big challenge for any government. We will manage; if the public decides we're going back to that, then we will manage it, and we'll figure out what we're going to be spending less on, what we're going to have to tax more on, or whatever the case maybe. But there are going to be costs. I just want to be clear about that. But thank you.



**Moderator:** We have about 20 minutes left on our call this evening and I do want to remind everyone, please keep your questions brief so we can get to as many of them as we possibly can. Going now to [caller], who's on the line and has a question about the HST and the effect it has on restaurants. Go ahead, [caller].

**Caller:** Hello, Sir. I just returned from Japan and in Japan there's a VAT on everything, okay, but it's only 5%. If I go to Hawaii, the VAT again is on everything, but it's less than 5%. Why is it 12% here in British Columbia and also, I mean, you probably noticed it, at least in my neighbourhood here in Vancouver Centre, like 25% of restaurants, marginal restaurants, they've gone out of business since you went over to the HST. They could survive on the GST, but they could not survive when you changed to the HST, so they can survive on 5% but not 12%. What is your answer to that?

**Minister Falcon:** Sure, thanks [caller], and you're right, but you have to remember, in Europe, you're talking about value added tax of almost 20%, so it depends on where you're going. What I said earlier, [caller] in response to a question like this; I don't want to pretend there's not an impact on the restaurant sector, but I would argue that the doom and gloom scenario... it's going to ruin the industry as we know it. I just don't think it's supported by evidence.

So if you look in Europe, the great cities of the world, London, Paris, Rome, big cities where they all have value added taxes that are much higher than we have here in BC - in fact our 12% rate is the lowest in Canada. It's lower than Ontario. It's lower than in the Atlantic Provinces. If you look in Europe, even with their value added tax rate of almost 20%, depending on which country you're in, they still have some of the most thriving, world-renowned restaurants anywhere in the world. So that's not to say that there's not some impact, there is. But what I say to the restaurant lobbying group and others is to look - if the overall effect of harmonizing is to create a growing economy, is to create 25,000 new jobs as the independent panel report pointed out - it will mean more families are able to go out and buy restaurant meals, etcetera. That is overall is going to be good.

We had someone on the call the other night from the movie industry, to talk about how they are. They have never been better than they are now. They are attracting movies and winning movie projects here in BC as a direct result of HST, because of the fact that if you think about the movie industry, think of all the PST that applies to all the vehicles that they purchase; all the taxes that they can strike out of all the cost that are involved. They now have no PST, the PST that invisible PST, can be stripped out; they're much more competitive. That means more movie activity; more revenues ultimately generated to the government; more people being hired to work as camera technicians, electricians and carpenters and all the rest of the support industry in that sector that are out buying meals, even with the additional 7%.

The other thing that you said, you've been in Japan. Tax is 5%. I've been to Japan; I forgot what the rate was. What I can tell you is it applies to everything. Now the difference in Canada is that when the GST was originally introduced, the government of today made a conscious effort not to apply everything and have a lower rate; but to exempt things like basic groceries, like rent, like health care, education, prescription drugs, those kinds of things. And so when we harmonize our PST with the GST it applies to exactly the same things as the GST did. So whatever you used to apply GST on, you're paying HST, but it



also exempts all of the things that our GST exempted before. So HST doesn't apply to basic groceries. It does not apply to prescription drugs, or to your rent, or to health care, or education, or what have you. So that is why it's not a lower rate. Thank you.

**Moderator:** And thanks to everybody for joining us this evening. One point of interest is that, over the course of the evening, we have had 39,000 British Columbians on the call this evening. And we are trying to get as many questions as we can. So let's go now to [caller], who asked about basic control over taxes. Go ahead [caller].

**Caller:** Yeah, my concern is that it's a kind of a short-sighted way of making the books look good for the current government but handcuffing the future government in their choices of taxation. Instead it's a classic case of passing the buck, both literally and figuratively, to offer to listen tonight; that it practically takes a constitutional change in order to exempt something or whatever to have control of the provincial economy through our own provincial government. Instead, the only thing they have control of now is the provincial income tax.

**Minister Falcon:** Okay, thank you, [caller]. So I heard this before and I think you will be happy to find, [caller], that actually it's just not the case.

Some other critics have said oh, we transfer all the tax to Ottawa; we've lost provincial control over taxes and it's simply not true. Under the agreement that we have with the federal government, it lays out very clearly that British Columbians, our government can decide the rate of HST. So we can lower, we can raise it; we can do whatever we want; we can do that every single year. So every single year I could drop the rate by as much as I felt like doing. All we have to do is we have to notify the federal government, giving them written notice that we are planning on doing this. But we can do it on July 1st every year.

We also have point of sales exemptions, so we can make the decisions - as we did to exempt things like gasoline, prescription drugs - whatever things that we decide we want to exempt. We're able to do that for up to 5% of the total revenues that are generated under the GST base. We can also provide additional provincial rebates for charities, for not-for-profits, which we have done, we can.

The Feds must consult with us; if they're going to make any changes that will impact our revenues at all, they have to consult with us and they have to reimburse us if, in fact, there is a change that is going to impact our income strength. We can also make decisions, as we did on residential home heating for example, where we said, we don't want the provincial 7% to apply. So we made the decision as the government, to provide rebates to ensure that nobody is paying a penny more for the residential energy than they were before. So, all of that is within our sphere of ability and influence, [caller]. And I would just argue that on balance we've got exactly the right thing.

The difference is we don't have to employ 300 tax auditors that have cost \$35,000,000 a year to administer and oversee all of the paperwork and all of the auditing associated with the PST, and we don't have to impose on the small business sector, \$150,000,000 worth of compliance costs so that they get the joy of having to deal with paperwork associated with the PST, to deal with auditors coming from

the GST department, the PST department; and finally, it's better for the economy over all. That's what the independent panel report points out, that it grows the economy. It creates 25,000 new jobs, high paying jobs that ultimately will provide the benefit for provincial governors. So thank you for that [caller].

**Moderator:** Let's go to [caller] now and [caller] is wondering about the HST in the film industry. Go ahead [caller].

**Caller:** You said in your earlier statement that film industry in Vancouver is, right now, is at all time low. One of the factors that is entering into it is uncertainty about the future of the HST. Producers don't like uncertainty. The other factors that are entering into it are the weakening U.S. dollar, which we can't do anything about. Something we can do something about however is the fact that Ontario has deferred tax incentives and, right now, Ontario's production level is about 5 times what they are in Vancouver.

**Minister Falcon:** Well, thank you [caller]. So look, there's no question that Ontario has really dug deep in providing I think almost an irresponsible level of tax credits to the film industry, that gets to the point of almost buying your business, essentially. We have maintained very competitive - we work closely with our film industry - we're proud of the fact that we have a growing thriving film industry in BC, and that is in part true of any number of tax credit measures that we've taken to encourage the film industry.

But I really have to take issue with you [caller]. Peter [unknown] is one of the prominent players in the film industry, and is, in fact, one of the strongest supporters of a group of folks called the Smart Tax Alliance, which is made up of everything from tourism associations to business groups, etcetera, including film industry folks that are arguing for maintaining the HST. The primary reason is that they tell me - and I can only tell you what they tell me - is that it has been a very important part of their ability to be competitive in making films.

I can tell you one thing for sure though, if we go back to a PST plus GST system, that immediately puts us at a severe disadvantage to Ontario, which has a harmonized sales tax. As you know, they implemented theirs about 6 months prior to us and we would be at a major disadvantage. Not just with the film industry, but with a whole bunch of other sectors in the business community and I do not want to be in a position where we're losing investment and jobs to Ontario because they've got a smarter tax system; and because we as a government did such a terrible job in introducing and not explaining the HST. We're trying to make up for that now.

I really accept all the criticism and I apologize for the terrible job we did. But on the other hand, I don't want good tax policy to be sacrificed at the altar of our incompetence, how we introduced it and to explain it. So we're trying to make that right. We're trying to get information out to the public so that the public can make at least an informed decision, and I do think that the film industry is one of the areas that absolutely benefits from HST.

**Moderator:** We have about 10 minutes left on our call and we still will be taking a couple more of our callers. But if you don't get a chance to comment, or ask your question, you still have an opportunity to do so. If you stay on the line when the call is finished, you will hear a prompt and then will be able to

leave a message. So do stay on until the end of the call if you would like to leave your opinion. We will go now to [caller] who works in a non-profit.

**Caller:** Hello, Minister Falcon. I work in a non profit ... and the calculation for the tax input credit, for us, has become far more complicated than it used to be, where we only can claim [unknown] about 50% of the GST. Now the calculation is, we have to claim 50%. Of that 5% of the HST and 7% of the HST, which of course creates a lot more work for us. We also have to report it on two different forms. And I'm wondering why it couldn't have just been 1 percentage amount as opposed to the calculations that we have to do. And I'm not against the HST by the way.

**Minister Falcon:** Okay, yeah, thank you very much. Good question. It essentially comes down to the fact that because we have different rates - the Feds have a rate of 5% and we have a rate of 7% - so that way the rebate is done so that the non profits will pay on average no more than they were paying before. That's essentially, in a nutshell two different rates, but I appreciate it would be a lot simpler if we both had exactly the same rate. One of the things, just so you know, that we've heard from folks is why don't you drop the rate. So I'll take that, as you would probably prefer to see a lower rate, so that you wouldn't have to have a differential there. But thank you for that.

**Moderator:** We go now to [caller], who has a question about used cars and the HST. Go ahead, [caller]. Oh, there you go. Go ahead.

**Caller:** Hi, good evening. I'm calling from Vancouver and like many young families in the region we need to upgrade our older car to something that's more efficient; already we're just sharing one car like many other families out there and using transit to the fullest extent. Of course, purchasing new is just out of the question. My question for you, Minister, is since the original purchaser of the car wouldn't pay tax on the purchase, what can be done to improve the affordability of used vehicle for a family?

**Minister Falcon:** Thank you very much. So with respect to cars, there's good news and bad news. The bad news first... On used cars we have applied a 12% charge, but it's actually not HST. It's a charge that we put in place and the reason we did that was that we heard from the car industry that there was a lot of - what they called - 'curbing' going on; where people are buying and selling cars, ostensibly privately, but really what they were doing is acting as car dealers without actually being a dealer. This is my memory - I'm sort of going on my memory on this one, to be honest with you. But I do want to acknowledge that it wasn't there before and that it is there now. It's actually something that we put in place separate from the HST.

With respect to new cars, it's a different story. New cars are expensive. You may recall in the 1990s the government; they introduced what they called the luxury tax, which was a 3% tax on vehicles. At that time, the amount was \$32,000 which frankly I don't consider luxury, so you pretty much can't buy a car, a new car. So that pretty much applied to most car purchases.

We raised that threshold up to \$55,000 to try and genuinely make it apply to luxury vehicles, but when we introduced the HST we got rid of it. So that if you're paying \$55,000 or more for a vehicle there is no more 3% luxury tax at all. The other PST, GST that used to be paid hasn't changed under HST. So to recap

used cars, you're absolutely right: there is a cost there now. On new cars, no change except that the luxury tax of 3% has now been eliminated. Thank you.

**Moderator:** Our time is almost up for tonight. We can take one more call and I do ask you to stay on the line because we'd like to hear what you have to say. If you didn't get a chance to comment or ask your questions, just hang on and when the call is finished you will hear a prompt and then you will be able to leave a message. So just one more call and it's from [caller] who has a question about health care therapies and the HST. Go ahead [caller].

**Caller:** Good evening. I work in non-profit housing and a lot of our tenants have health care issues and the HST now applies to massage therapy, which is what I have seen. It is a real healing process; but a lot of these people don't have extended health care benefits. The MSP only pays \$25 per visit to a massage - registered massage therapist - and most of them, I think the going rate is \$60 to \$65 a visit, plus the HST, and I'm wondering if there's a possibility for the HST being removed from that?

**Minister Falcon:** Okay, thanks [caller]. That is an important question. So essentially what happens is, because the PST harmonizes with the GST, whatever the GST applies or doesn't apply to is a decision that the Feds ultimately make. On health care services, what they essentially say - and I'm going by memory here - but if 5 or more provinces deem something to be a medical service, then that will be exempted from GST, and thus exempted from HST. Massage therapy is not one that has thus far been identified by at least 5 provinces as medically necessary. Any other publicly delivered health care services are exempt from HST. Prescription drugs are exempt from HST; but you are correct in pointing out that, in the case of massage, those are not exempted. Thank you.

**Moderator:** We are now coming to the end of our call. And to Minister Falcon, do you have any final comments?

**Minister Falcon:** The only comments I'd like to make is, I'd really like to thank the tens of thousands of Vancouverites that joined us on the call this evening. I also want to thank my colleague, Minister Mary McNeil, who's the MLA from Vancouver False Creek, who also has been on the entire call, patiently listening and taking notes of what folks have said.

I really appreciate all of the input and I just want to say, in conclusion, that if you have the opportunity to go to HST in BC dot ca; you will find that there is a lot of information. The independent panel report is there and it will talk about the pros and the cons of HST or going back to a PST plus GST. In a nutshell, I just appreciate all of the input. We're hoping to try and fix and improve the HST to make it better and I really appreciate those of you that have taken the time to not only to listen but to ask questions. It's been a great opportunity for me and I thank all of you.

**Moderator:** Thanks to the Honourable Kevin Falcon, the Finance Minister for British Columbia. Again, if you didn't get a chance to speak to the Minister tonight you still have an opportunity to have your say on the HST. Stay on the line when the call is finished; you will hear a prompt and then you'll be able to leave a message. Thank you to everyone for participating tonight. Thank you to the Minister and I will now formally close this town hall. Goodnight.

## SURREY TELEPHONE TOWN HALL SUMMARY

Date: April 27, 2011

Host: Minister of Finance, the Honourable Kevin Falcon

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
135,277	54,138	26,935	16	50%	263	22

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the second of eleven regional town halls conducted by Government with British Columbians.

Minister Falcon responded to 22 questions and/or comments during this call. Issues that arose from citizens of Surrey included the following:

- Exemptions or mitigations for specific products or industries – school supplies, restaurants, products or memberships that support healthy lifestyles, Children's clothing for adult sized children, non-prescription drugs
- Cost to the Province if we go back to the PST.
- Provide a \$1000 credit per British Columbian
- What assurance do we have that BC won't introduce another tax in a few years?
- Impact on real estate – first time home buyers and Property Transfer Tax
- Implications of HST driving people towards the underground economy.
- Impacts on Senior's and lower income British Columbian's.

Four of the 22 callers mentioned reducing the HST rate - one caller suggested balancing a reduction in the HST rate by increasing the amount corporations pay in other taxes; another caller suggested looking at the Property Transfer Tax to mitigate the affect on homebuyers. Three callers raised the impacts the HST has had on the restaurant service industry.

Confusion remains about the application of the tax on specific products. Books and gas were two products mentioned that should be exempted – Minister Falcon pointed out they already are exempt from the Provincial portion and there has been no change.

**April 27, 2011 Transcript: Surrey Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's, HST town hall call with BC's Finance Minister Kevin Falcon. My name is Sarah, and I'll be your moderator for the town hall this evening.

Before we begin, I'd like to give everybody some information on how this town hall will proceed. The Minister will have a short introductory comment, then we'll proceed with a live question and answer period. But first, we hear about privacy. This call is being recorded, and will be transcribed. If you don't want your ideas, comments or opinions to be part of the transcript of this call, please remain in the listening mode.

The minister wants to answer as many questions as possible, so we'd ask you to keep your comments short and get directly to the question. If you wish you ask a question, please press star 3. An operator will come on the line to ask you a few questions. Please use only your first name when speaking to the operator. We want to hear a variety, a wide variety of questions from you tonight, so the operator will make sure we've reduced the duplication.

After you've spoken with the operator, you'll be queued up ask your question and when you hear me announce your name, your line will be open, and you ask the Minister your question. After you've asked your question, your line will be muted so the Minister can then respond and you'll be placed back into listening mode.

Please note, there will only be time for questions and answers during this town hall. We won't have time for supplemental questions so the minister can hear from as many participants as possible. I ask you to use polite language on this call. Anyone using bad language or swearing will have to be cut off. Later in the call, you'll be able to provide your feedback on HST directly to the government by answering a couple of multiple choice questions. This is not a scientific poll for feedback rather it's an opportunity to engage you on some important questions about the HST and BC. We may not get to everybody who had a question tonight for the Minister, however, if you stay on the phone to the end of the call, you'll have a chance to leave your questions on a recorded message. Again, if you want to ask a question, please press star 3 at anytime on your keypad. And now, I will turn this call over to Minister Falcon for his opening comment. Minister.

**Hon. Kevin Falcon:** Thank you very much, and thank you for the overview. I promise I will try not to use bad language.

I want to thank all my fellow residents of Surrey who are joining us tonight in this telephone town hall; it's one of the first ever, certainly for this government. This is kind of a new thing for government; it really allows us to take advantage of technology and we now have it available today to open up the opportunity for us to listen to literally thousands of people at the time and I really appreciate those of you that have joined us this evening. I know there's lots of other things you can be doing. In the fact that you've taken time out of your busy lives and busy schedules and kids and everything else to take part - it's greatly appreciated.

I do think that the discussion on HST is really a very important issue for all of us. No matter what you think about the issue. And first, I also want to be really clear about the fact that I want to acknowledge as I have in the past, what a terrible job we did as a government introducing the HST very ineptly and frankly not explaining it at all to the public. So we take responsibility for this and partially why I am on this call tonight, it's a way of making sure that we use these opportunities to provide information. To help provide information to you, so that you can make an informed decision on whether to maintain the HST or go back to the two tax system of the PST plus the GST. But it's also an opportunity for me to listen directly from you on how we might improve the HST, and generate perhaps some good ideas that we could then take back to my cabinet colleagues and our government caucus to have a discussion about what changes we might be able to make to improve, what at the end of the day, we believe is a very sound tax policy.

I think it's worth noting at least to you to just point out that, you know, when I first ran for political office in 2001, the main reason I ran was actually to reduce the tax load. That was the whole reason - it was so important to me to run for office. And I think it's just important that when we have this discussion about HST, that since 2001, we have marched down the personal income tax rate in British Columbia by 37%. We now have the lowest personal income tax rate in the country, up to \$119,000 of income on the Alberta and we've also taken our general corporate tax rate which is the rate for larger businesses from 16 1/2% down to 10% in our small business rate. We've dropped by almost 45%. And we're going to continue to reduce it over the next couple of years down to zero because we are trying to encourage small business in British Columbia. So, frankly, I say that only so that you know that it's from someone that really believes in tax reduction.

I can tell you it was a tough decision, in some ways, when I thought about the HST initially because I recognize that although 80% of what consumers purchase under HST doesn't change. In other words, it's still going to be the 7% PST plus 5% GST for 12% overall - it is in fact true that 20% of purchases will now include that additional 7% that used to just be charged GST. That's something I think we need to be absolutely upfront with the public so that they understand; Yes it does generate additional revenues to government, but it is important to know that people ultimately are going to be contributing more.

Having said that, there are also many benefits in the HST that I think are important. Because not only does it result in the significant improvement to our province's competitiveness, it does show by actually reducing a lot of costs that are factored into the final price people pay. You never see them, but the small businesses across the province that pay PST and all of their input costs - pass those along to consumers. [The HST] allows those costs to be pulled out so that they can be more competitive. Not just here in BC, but with other provinces and indeed other countries.

It also happily reduces administrative costs. In BC, we no longer require 300 civil servants to process the provincial sales tax. That saves us about \$30 million a year, and it also reduces compliance cost for small business across the province by about \$150 million a year. Primarily, because they're not having to do paperwork for PST and then having to do separate paperwork for GST. And in addition, we've got 1.1 million low income British Columbians that now receive a new HST benefit of up to \$230 per individual and that includes children. I say that because that's important to recognize under the old PST, we had a



maximum of \$75 credit just for adults and that was capped at \$18,000 to family income. So under the HST, it applies not only to parents, but kids and it's up to \$25,000 in family income and it continues after that it just reduces depending on the growth of income.

So at the end of the day, you know, the argument I would make is – it's good tax policy, I believe it's the right policy for the province. But you know what, like any tax, it's imperfect. It can always be improved. So that's why I want to hear from you, about your thoughts on the HST and if you have any ideas on how we might be able to improve the tax.

These are hard decisions as you can imagine. Because there are actually, with these solutions, it's important we remember that any decision we make about the tax, particularly ones that may have cost associated with it, also have to have trade off. So, you know, we have to discuss these ideas, at the same time we consider the demands that we typically hear about making sure that we continue to invest in health care and education spending. While at the same time making sure that we keep our provincial deficit under control and return the balance budgets as we're required to do under our balance budget laws.

So at the end of June and throughout early July, all of you on the phone tonight, in fact all British Columbians, will be able to vote on whether we retain the HST or we return to the PST plus the GST model. And tonight, tonight's call is really a great opportunity for me to hear directly from you, ideas that you may have on improving the HST or how you feel about returning back to PST and GST system.

The one thing I want to emphasize is I don't want people to be worried about asking dumb questions. They're just are no dumb questions. It is often an area of complexity and don't, just don't be nervous at all about asking a question and thinking that you might be sounding like you're asking a dumb question. There are none. I've long given up on thinking every question I've ever asked is a really smart, intelligent question. So with that, I would turn it over to the moderator, and I look forward to answering questions.

Thank you so much all of you for joining us tonight in this town hall

**Moderator:** Okay Minister. I just like to remind everybody who may have just recently joined us that if you want to ask question anytime, please just press star 3 and you'll be put into the queue for a question. Minister, while people are getting their questions into the queue, maybe I'll start off by asking a question I'm sure a lot of people are thinking about tonight. Why did the Province choose to hold the referendum as a mail-in ballot and when should people expect to receive their ballots in the Province?

**Hon. Kevin Falcon:** Sure. Thank you for that. So, it's a very good question.

Primarily we made the decision to move towards the mail-in ballot as a result of concerns we heard about the cost of putting on a traditional voting ballot, you know, when you go to a poll and you vote. By going to a mail-in ballot, Elections BC estimates that the province saves about \$18 million.

We've had experience with this before, we did one on first nation issues back in the early part of, I believe, 2002. So what will happen is those ballots will start being mailed out on June 13th. Most people

should have received in by the end of June, but you'll have up until July 8th to request a ballot from Elections BC if you have not received one. Then you can fill it out and you've got up until July 22nd to get that mail-in ballot back to Elections BC so that you can have you say.

And I think that it not only saves money, it gives people an opportunity to reflect, to think about it and hopefully make an informed decision. One of the things that we are going to do is make sure, because we've been rightly criticized for not providing, is factual information to the public. And I guarantee as the government, we're going to provide factual, non-biased information. We're also going to ensure that both sides of the debate have an opportunity to access dollars to put forward their position. I think that's a responsibility and an obligation that we have, and we will follow through on it.

**Moderator:** Thank you minister. I just to remind everybody that at anytime, you can press star 3 and you can get a question into the queue. Minister, we have a question from [caller] who's calling about HST in the service industry. [caller] you're on the line ?

**Caller:** Yeah, go on it. Yeah

**Moderator:** Please go ahead

**Caller:** Hello

**Hon. Kevin Falcon:** Go ahead. Yeah

**Caller:** Well, yeah, hi. Actually I used to live here in your area. But to make a long story short. This service industry you guys really hurt badly with the HST. And I'm totally not in favour of HST. And I'm a senior citizen, and I don't buy this thing about people getting money, give them back. I'm in the bracket that I don't get that money back. And I can, everywhere I go pay on things for it, for things I never had to pay for. Why would I be in favour of that?

**Hon. Kevin Falcon:** No, it's. [caller], it's a very legitimate point of view. And I think we have to be clear that it does impact a part of the service after this. There's no question about it. Fast food for example is going to be 7% more expensive as a result of the harmonized sales tax.

Remember, when we harmonize the tax, what it means is that basically everything that had GST before, now it's emerged so that you got GST and PST. And as I say, 80% of consumer purchases don't change, but about 20% now include that extra 7% and I think it's absolutely right to say that there are some impacts on doing so. Now as a former health minister I to get people with all those who argued to me that we should, you know, should be putting an extra cost on junk food, et cetera. I don't want to get into that debate except to say that it does have an impact; we should reflect that.

Now, the issue is how great is the impact? And you know, you've probably heard on radio talk shows, et cetera, where you have restaurateurs. I know I heard one on CKNW a number of weeks back where a restaurateur phoned in, initially he was very strongly opposed to it when it was introduced. Really very publicly said it was going to hurt his restaurant business, et cetera, but he has been pleased to discover that that, in fact, has not been the case. And you know, it's anecdotal for sure, but I have also been

across the province and I've talked to lots and lots of restaurant operators that have said that they, they acknowledge that it has not had the impact that they've thought it would have. But they also say that the decision we made on the separate public policy on point 05, stricter enforcement on the point 05 drinking has certainly had an impact.

But, look. I don't want to pretend there's no impact. There are. There's winners and there's some losers. But overall, the belief on HST is that it improves the economy overall and creates a more competitive economy that makes a growing economy that generates additional revenues to support, important services for seniors like yourself, healthcare and other services, and also for families. Thank you, [caller]

**Moderator:** Thank you for the call. We have a participant, [caller] who's got a question about whether or not the HST applied to children sized clothing. [caller], are you on the line?

**Caller:** Yes, I am

**Moderator:** Please go ahead and ask the minister

**Caller:** Yes, with children's clothing. There used to be a tax exemption for children under 14. I'm raising a 12-year-old grandson that wears men's clothes. So particularly shoes and jeans that he goes through incredibly fast. I'm now paying 7% more for all of that. That upsets me.

**Hon. Kevin Falcon:** Yes, [caller] and we heard a lot of feedback about that. And this is kind of an important one. So what we have done is we have provided an exemption for children sized clothing. But what it does not do is some kids are bigger kids. They have to wear adult sized clothing. And so they are paying the additional 7%. That is true. And I acknowledge that.

In the old days of the PST is you recall, at least to have that exemption where small businesses were required to have people sign that piece of paper. Remember, used to have that piece of paper and people would have to sign it and say it was for, you know, a child and there was a huge amount of paperwork for small business. Then that had to be audited by our provincial sales tax auditors. It really was one of the examples that was often, you know, used to be about how administratively difficult the PST was for small businesses.

So the harmonization, though it does exempt children's clothing, you're absolutely right in pointing out that for adult sized children, there is that additional cost. And that maybe, you know, one of the things that you would probably be saying to me, [caller], is look Minister, why don't you do something to deal with that for us because that is an additional cost. I will happily take that under advisement and look at that as one of the things that we could perhaps look at in terms of improving. But thank you for that question [caller]

**Moderator:** Minister, thank you. We have a question from [caller]. And he's interested in knowing whether or not there's any opportunity to modify taxes on business. [caller] are you on the line

**Caller:** Yes, I am

**Moderator:** Please go ahead

**Caller:** Actually, I've got an observation and a question. The observation is, is that, and I'm generally in favour of the HST. However, the HST's reason for being is to make our businesses, small or large competitive with jurisdictions outside of the province and it seems to me that there's some pretty broad factors of our economy in BC that are, that are within the Province of BC that I don't put into that category. Restaurants being one, maybe gym memberships where there's definitely benefits for the health systems that people exercise. Seems like gym clothes and running shoes and somebody has already mentioned the children's clothes. But my question is, is well, will the province consider exemptions to the HST where there clearly is no competitive benefit of actually having it in place?

**Hon. Kevin Falcon:** Well, thanks [caller]. And a very, very good question.

So, to your first point, first about the competitiveness. You know, I think the issue there is you may ask yourself why in the Earth would government do this? Like why would we harmonize a PST and a GST? Well, one of the main reason is if you look around the world, there's 140 countries now that have harmonized sales taxes like the HST. They call them value added tax in Europe. But they're exactly the same thing. And there hasn't been a jurisdiction in 35 years, anywhere in the world that actually introduced a sales tax like the PST. They just, countries don't do that. In fact, the last country that did it was Greece in 1975 and it got rid about a year later. Even countries, you know, Communist country like China, Vietnam, they're all moving in introducing value added taxes.

And the main reason is that it's just more efficient way to actually generate increased revenues for government because it generates increased business activities that ultimately help support social services we care about. Having said that, you've pointed out something that is absolutely true. That when you harmonize, and this is the political tough part about the PST, that we get whacked over the head for it and that's very understandably, when you harmonize it, that means that the PST merges with the GST and it's going to impact some things like gym memberships for example, that used to just have GST charge. And now it's going to have the PST portion included also. So that increases it.

And people used to say that as a former health minister, why would you do that? We should be encouraging people to be healthy. You know, I can't, not disagree with what they're saying. But part of this listening actually, [caller], is to say we did provide exemptions under the agreement with the Federal Government. We're allowed to provide up to 5% of the GST tax-based towards exemptions that we as a province can choose. So we exempted the home heating fuel for example. We exempted fuel, gasoline. You know, when you fill up your car. We didn't want it to apply to that and the whole range of things. But we couldn't do everything. Because you then get back and do having a system that isn't harmonized and you get back and to have a bureaucracy to deal with all the exemptions you're going to make.

So your point though is gym memberships issues I think. I guess what you're saying is health issues; we ought to think about making sure that we find the way to deal with that additional cost that is being imposed on British Columbia. And I made a note of that, [caller] and I really appreciate those questions. A very, very good question.

**Moderator:** Thanks, Minister. Go with [Caller]. He's got a call about, or question about, why there are only 2 options with the HST? [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** [caller] please go ahead.

**Caller:** Yeah, what I'm wondering is I would like to see more options. I was totally opposed to the HST when he voted out. I can see some kind of benefits in it, but I would like there to be another option. I would like to see perhaps a full option where we keep the single tax, but reduce the amount. And also to increase the amount of corporation tax because this is just been the tax like from corporations, and it's being passed to the consumer.

**Hon. Kevin Falcon:** Sure. Thank you, [caller]. So that's I think another really important question.

So, the reason why the question is exactly the way it is, is because we as a government didn't draft the question. The question is actually drafted as a result of the recall and initiative petition that British Columbians signed. British Columbians signed a petition, about 10%, to say that there is going to be a referendum and the question is actually a question that was designed by the head of Elections BC. We as a government felt that if we tried to change that question or monkey with that question or provide other options, and I'm very sympathetic to what you're saying, believe me. But then if we did that people would say: they're, you know, government is trying to monkey with this to, to redirect the outcome. So we just didn't really want to go there.

Having said that, I think, you know. I think what you are saying is something I commonly hear. You'll hear critics say it was a \$2 billion benefit to business and it's thrown over to taxpayers. It's actually, that's really not entirely accurate. I understand what people would say, but it's really not entirely accurate. Because the difficult part of explaining is what happens when you introduce the tax. So, let me as an example say you're a wine producer. Well, under the old PST, what happens is you pay wine on the bottles you purchase, you pay [tax] on your labels, you pay [tax] on your bottles - PST tax, sorry. You pay your PST tax on all of those different elements to go into your wine up until you finally sell it to the consumer. And all of those are additional costs are reflected in what you, [caller], you know, come in and paid for when you buy your, you know, bottle of wine or case of wine or whatever the case may be.

Under the HST, all of those input costs are stripped out. So, that what happens is typically in a competitive market economy, you have competition. There's other wine producers out there too. And they compete on price. And if one of the wine produces says I'm going to keep the benefit I received; I'm not going to pass it along in terms of lower prices, then that often will hurt them in the competitive marketplace. Not always, but it often does. That's why in our free market economy, generally speaking, you see those things passed along.

Now, Michael Smart who's one of the top economist back East, looked at the Ontario situation, and he determined that was in the first 6 months of their introduction of HST. He'd already was able to track reductions in price down to the consumer. And that's why it is not, you can't just say that all the benefits

stays with business. it does ultimately flow through - not immediately. And I want to be clear about that, but it does typically flow through. But I think that's a really important point.

And the issue finally on corporate taxes and stuff. The reason why we essentially have gone on a path of trying to reduce corporate tax rates over time. As I mentioned since 2001, we've marched them down from 16 1/2% to 10% is because we really want to try and encourage investment in our economy. And we recognize that investment is mobile. It doesn't have to set up in BC. It can set up in Alberta, Ontario, other states in the US or around the world. And so we want to make sure that when investment is making the decision about where it's going to be doing best, that BC is going to be near the top of their list. And I think that frankly the success we've seen a new job creation and new company start ups as reinforced the rightness of doing that.

But it is a balance. You want not have it too low so that you, you know, are depriving yourself of important revenues that you want to support social programs. Thank you, [caller].

**Moderator:** Minister, thank you. We have a question from [caller] who wants to ask about the tax on gas. [caller], you're on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** All right. Good evening. I just wanted to sort of, would the HST as a tax a lot of people that they having to pay more. Would that not be beneficial to perhaps bringing a reduction on the taxes on gas due to off set, what we've paying extra in the HST?

**Hon. Kevin Falcon:** Sure. And thank you, [caller], for that question. And this is, this is one of the reasons why I think we have been rightly criticized this government. Because we have not provided basic information with the public so that they can understand what we in fact did and did not do.

So for example gasoline is exempt from HST, we don't, we actually made a decision that we were not going to apply HST to gasoline. And that was one of the decisions we as a province made. And so there's been no change in gasoline prices as a result of HST, the introduction of HST.

What we tried to do, [caller] and I'll take a second on this, is recognize that, you know, the way an HST or consumption tax works is that typically the more income you make, the more you probably spend. And so there's an essential fairness there in that. For example, really rich people are probably out, you know, going on ski trips. They're probably dining out all the time, et cetera. They're going generally pay more on HST than with someone that, you know, perhaps has less income and spends less. So what we are trying to do is to say well, let's have a system to make sure that low income folks are going to be looked after with the introduction of HST, because we don't want to penalize them in particular.

And that's why, what we did under the HST, is we provide rebates now. These are cheques that are sent to 1.1 million families 4 times a year to essentially make up for whatever essential impact they may have as a result of HST.

So for example, under the PST we used to have, say, you're a single mom earning \$24,000 a year with 3 kids, under the PST, you got 0 rebate at all. Nothing. Because it only gave \$75 rebate up to incomes of \$15,000 a year or \$18,000 for families. So she would get nothing.

Under the HST, the rebate to that single mom with 3 kids get is \$230 for her and each of her 3 kids. So that's \$920 a year that goes to that single mom. We did that because we wanted to make sure we made that single mom, or that low income individual, whole so that she's not likely to have to spend more than she was spending before under PST. And in fact most of the analysis you will hear from several independent researchers and economist is that the low income folks are largely either made whole or even come out slightly better under the HST rebate. So that's the decision we made.

Now, if we get rid of the HST, of course the HST rebate disappears too. So that single mom would go back to the way it was before, which is the PST would still be in place, and she's going be paying it on most of the same thing she was purchasing, but will receive no rebate whatsoever. Now to me, that's a really important piece of information that I have an obligation to make sure the public is aware of.

And that's the same thing with your question about gasoline, because so many people out there believe that they're paying HST on gas, when they're not. And that's our fault. It's not the public's fault. It's our fault because we have not communicated those basic facts to the public; that home heating fuel, that, you know, gasoline, it does not apply to and there other areas that we've exempted HST, does not apply to.

So we're going to get that information out to the public in a very neutral, unbiased way and make sure the public understands the facts and then they make informed decision. I'm entirely comfortable with the public, if they decide after thinking about it and looking with all the information they want to get rid of it. That is absolutely a reasonable decision for them to be able to make. It will have an impact, we will deal with them. But, you know, it was at least an informed decision. And that's, I think we owe that to the public.

So, thank you [caller]. I probably took longer than I should have, but I think that was a really important question.

**Moderator:** Thank you, minister. We have a call or question or question from [caller] who wants to understand what it would cost to re-implement the HST. [caller], are you there?

**Caller:** Yes.

**Hon. Kevin Falcon:** Go ahead, [caller].

**Caller:** Yeah, just curious what it would cost the government to re-implement the HST, if it was turned down? And I was kind of, we're in the dark.

Thanks for doing this first of. It's pretty nice that you're making a little bit more informative instead. It's very helpful. Thanks.



**Hon. Kevin Falcon:** Thanks, [caller]. I really appreciate it.

And this is, this is really important question. You know, and it's one that - I'm kind of known for saying it like it is. I think that we have to be honest with the public about this too. I don't want to sound like I'm fear mongering or anything. So I'm just going to give you the, the absolute basic facts.

If we eliminate the HST, it creates some challenges for us – there's no question about it. The first is we're going to have to rehire 300 civil servants for the cost of \$30 million a year and the reason we have to do that is because we're going to have that someone to administer our reintroduced provincial sales tax, the PST. So that's the first.

The second is we're going to have to re-impose on the small business community and the business community across the province, about \$150 million of cost to comply with the 2 tax systems because I'm a former small business person myself, so I know exactly what I speak here. That means that you have to do paperwork with respect to the PST and you've got to do paperwork with respect to the GST.; and you've got auditors for the GST and the PST. Believe me, it can be a pretty significant cost.

The third big one is the Federal Government. The Federal Government offered us in British Columbia the same deal as they have in Ontario to, you know, harmonize with the GST. And that is the transition allowance which essentially for BC was \$1.6 billion to allow us to transition into the HST. And this was at a time when we were going through the world international economic meltdown where we, BC and the country frankly, was hammered pretty hard by the international economic situation. \$1.6 billion, I was a health minister at the time, believe me that was money that was well needed. We would have to pay that back under our agreement. If we, if we get out of HST, then we have to repay \$1.6 billion back to the Federal Government. Obviously that's going to be a pretty big hit to us.

The final thing is this - the HST, as we said from the beginning, over time actually generates additional revenues to government. Over the next few years, hundreds of millions of dollars of additional revenues that are generated to the province, and those are revenues that are supporting our healthcare or education system, helping us get back to a balanced budget and there's just no question that, you know, if the decision is to get rid of it, we're going to have to manage those things. We can manage those things by the way, they just involve some very difficult trade-offs. We will make them if that's the decision the public makes, fully informed. Then we will have a plan to go back to the provincial sales tax. It will have cost and impacts associated with it. But we commit to doing that on behalf of the public if that's the public's decision. But, thank you [caller] for really good question

**Moderator:** Thank you, Minister. We have question from [caller] about reducing the percentage on the HST. [caller], are you there?

**Caller:** Yes, I'm here.

**Moderator:** Please go ahead.

**Caller:** Yeah. Okay. So, I have a proposal to make - it would be much easier to decide to keep the HST as it would be maybe 1% less since there is so much to pay. So I think it would be manageable to live with it for a while with 11% HST.

**Hon. Kevin Falcon:** Yes. Thank you, [caller]. And again, a really good question. I appreciate that feedback.

This is, you know, certainly the Federal Government, you'll recall reduce the GST from 7% to 5% over a number of years. And of course our PST is still at 7%. So if we reduce it by 1%, and I made a note of your suggestion and I thank you for that.

If we reduce it by 1%, that impacts provincial revenues from the HST by about \$850 million. So, you know, it's absolutely an important idea to put forward and that will be one of the options we will look at, [caller]. We're going to do a lot of policy work around that. Keep in mind that the reason I mention \$850 million is because like I said there's never easy decisions in these kinds of things. So there's always trade-offs.

So if \$850 million less revenue, I know that under our balanced budget law that we passed as a government, that we have to get back to a balanced budget. So I have to keep that in mind and have to recognize and we'll probably have to make up some of the revenue somewhere else. But I think that is an absolutely legitimate suggestion to put forward. I made a note of that, [caller] and I really appreciate you saying that. It's not the first time I've heard it by the way and these suggestions, whether it's gym memberships or the issue of reduction the rate 1% or some really good ideas that we hear from people. So, thank you very much for that.

**Moderator:** Thanks, minister. We have a question from [caller] about what can be reviewed with the HST and how that might affect restaurants. [caller], you're on the line?

**Caller:** Hi, Kevin. It, it's interesting to hear you talking finance after so many years of chatting up, you know, transit and roads and all of those things you did with that with the administer of transport. Are you enjoying yourself yet?

**Hon. Kevin Falcon:** Yes, this is, it's always nice to take a new portfolio and find that the first thing you have to deal with is with the HST. No, I can't pretend to you this was at the top of my list of things to do.

This is really, really important for the future of our Province and I just really, I feel such a responsibility to make sure that we get information out to the public so that they can make an informed choice. And I'll live with whatever the decision is of the public. I've always had great respect for the public. I believe that the public's way is smarter than most people given credit for. If you give them factual information, and after with ask - now make a decision - and then it will be the right decisions whichever way it falls.

**Caller:** Well, that said, you know, in the commodity prices, I have to say that any impact with the HST had on certain goods and services was really lost because prices are so volatile at the best of times. But within the arrangement that you have with the Federal Government is it in fact possible for you to refine how you apply the HST? You know, we heard a lot from the restaurant industry which of course the source of jobs especially for a lot of young people that it was particularly difficult on them because of

course the restaurant meal is discretionary. Is it possible that there could be an exemption for the restaurant industry, and what would that mean? What else would have to, you know, be added if restaurants were exempt?

**Hon. Kevin Falcon:** Thank you. That's a really good question. And certainly we did hear a lot of concern from the restaurant industry, particularly the fast food sector where, you know, obviously it's very price sensitive because the food is generally pretty inexpensive.

One of the things that you'll find with respect to the, the restaurant industry is that there's a benefit and there's a cost. The cost is that it's added an additional 7% is now added to bills. You know, they understandably were very concerned about the impact that that would have on their industry which is obviously price sensitive.

There are some benefits of course. For example, all of their business inputs in the restaurant business whether it's kitchen equipment, appliances, tables, chairs, cutlery dishes, linens, menus, all that kind of stuff used to be have PST charged on it - those costs are all now gone. So they don't have those input costs that they used to have before.

But I don't want to pretend it's all good for the restaurant sector, that additional 7% has an impact. In fact, I can tell you because I've been looking at these number pretty carefully. When it first was introduced, the HST was introduced, total industry receipts in the month of July 2010, fell by 0.7%. But what was interesting is that the following months that there was a 0.7% increase in August of 2010. So there was an understandable initial drop off, but it bounced back the following month. Total industry receipts have grown about 1/2 of a percent between the 2nd and 3rd quarter of 2010. So to give you a perspective during the same time period, industry receipts declined in Ontario by 1.7%. So, you know, part of that is our overall economy s starting to improved in BC.

Just this morning, we saw the consumer confidence survey that was undertaken and it came out and said that BC has the highest consumer confidence levels in the country. Which I think is reflective to some degree on their willingness to go out now and, quite frankly, I see one of the things, if the Provinces continues to do as well as they have, it will have a huge positive impact on the restaurant and pub business.

I can tell you. Last night as you saw, there is practically no traffic on the road whatsoever. But, you know [caller], I think that's an important question. If we tried to just take off the HST of all restaurant meals, it is a big hit. I mean it's, I haven't got the number in the tip of my fingertips, it's in the hundreds of millions of dollars. So it would be a very, very significant number. But I'll make a note of that, and we'll certainly factor that, that into some of the policy options that we can look at.

**Moderator:** I just want to remind, everybody on the call, if you want to ask question, please just press star 3 on your keypad now and you can get into the queue. Minister, we have a question from [caller]. I think it's about input tax credits. [caller], are you on the phone?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Csller:** I just question your reasons in wanting to give big business another 7% tax break. I mean when I go and buy a new vehicle, I've got to pay 7%. Now, this business or big company, they don't have to pay the 7% on anything pertaining to their business. And you talk about trickle down economy while it's a no wonder - which it does not work. Trickle down does not work. Hello?

**Hon. Kevin Falcon:** So we could have a good debate about that.

I think, [caller] what I would tell you though is, that back when I first ran in 2001, we had some of the highest corporate tax rates in North America. And BC, we also for the first time in the history of our province became a "have not" province economically. Meaning that like the Atlantic Provinces, we have to receive transfer payments from the Federal Government because our economy is needing support.

I do think there actually is a correlation. You know, one of the reason why we have a really low, small business tax rate in BC is because we want them to become large businesses. We want to grow and encourage businesses. And I totally get that, you know, business and taxes, and they've got lots of flaws, but most of us work for businesses. What I want to see as a Finance Minister is, I want to see a situation where we have growing businesses in BC, a growing business sector. And I want to make sure they pay lots of taxes to the government because they are a growing sector. So I think that's important.

The other thing I'll say is just what you mentioned, vehicles. Actually the cost of purchasing vehicles goes down under HST. It's one of the benefits. When you buy a new vehicle, you now pay less under HST. And I think that that's, you know, one of the benefits that you will find.

But you know again, you're right to point out that, I don't want to pretend it's a perfect tax, it is not. I haven't met a perfect tax yet. I just think that on balance, what we have here is acknowledge that we ensure that we have a more competitive business sector. And I think that's ultimately good if we have a growing business sector because that will generate more revenues to support programs we'd care about like health and education. So I think that part is important, you know.

And frankly, I just think that in government, for as long as I've been in government, I rarely hear people telling me that we should be spending less on things like health care and education, it's generally spend more. So we have to make sure we have a competitive tax system that's going to generate the kind of revenues that we need to support those kinds of services.

But, you know, I think on the trickle down, I think there's some partial truth to what you say. I think it's trying to strike the right balance. You don't want those rates so low that they're depriving you of revenues that you need to fund services. So, I accept that point.

**Moderator:** Thank you, minister. We now have time for the first of our 2 feedback question we want to get from our participants tonight.

I'll be asking you to choose your preferred answer by using your touch tone pad. Please listen carefully to the options; I'll read both the question and the answers twice.

The first question is - Government HST revenues increase faster than PST revenues would have because the tax base is broader and applies to services. Currently, government into using additional revenues to balance the budget by 2013-14. If you could pick only one way to use the additional HST revenue, which of these would you choose?

There are 4 options:

Increase spending on programs like healthcare and education, please press 2.

Reduce the tax burden on all British Columbians, please press 3.

Provide an additional HST credit to families with children, press 4.

Or reduce the deficit, press 5.

Again, Government HST revenues increase faster than PST revenues would have because the tax base is broader and applies to services. Currently, government into using additional revenues to balance the budget by 2013-14. If you could pick only 1 way to use the additional HST revenue, which of these would you choose?

Listen to these 4 options.

Increase spending on programs like healthcare and education, press 2.

Reduce the tax burden on all British Columbians, press 3.

Provide an additional HST credit to families with children, press 4.

Or reduce the deficit, press 5. Please vote now.

I'm going to go to a listener call from [caller]. He has a question about the transition comparison between Ontario and BC. [caller] are you on the line?

**Caller:** Yes, I am

**Moderator:** Go ahead

**Caller:** Yeah. I think the problem selling the HST was alleviated in Ontario by their, I believe, their families got a thousand dollar credit back through their money from the Federal Government and I think that would have helped solve the HST in BC?

**Hon. Kevin Falcon:** Yeah. Thank you, [caller].

Every government can do it differently because you're allowed to under the agreement with the Federal Government. As I say that's why I accept responsibility for the really terrible way we introduced the tax and didn't explained it at all.

So, just to give you the quickie explanation. Ontario was already well along this path in negotiating with the Federal Government. What happened after the election when the Federal Government approached us, we had the opportunity to piggyback on the deal that Ontario was getting, which had a lot of changes from what had ever been offered before. Particularly with the ability to set the rate ourselves so we could, you know, for example, BC at 12% has the lowest HST rate in the country, Ontario is 13%. And we also had flexibility to determine up to 5% of the GST revenue base where we could provide

exemptions and what we wanted to do. So, Ontario, you know, I'm not entirely positive of all the different things Ontario did. I do believe they did send out a cheque.

We decided we were going to have rebate cheques to 1.1 million lower income British Columbians because we were most concerned about ensuring that low income folks, those with family incomes up to 25,000 or individuals that doing up to 20,000 would receive full rebate - \$230 per adult and the same amount for their children. Which is most cases, makes them whole. And in many cases, they come out ahead. But we did that specifically because we wanted to make sure that, you know, that those that could at least afford it, wouldn't have to pay any additional cost under the HST.

So, you know this is an important point, because the PST, as I mentioned before, was very different the PST had a rebate that if you earned up to 15,000 as an individual, you got a \$75 rebate, period, as an adult. You got nothing for your kids. And if your family earning up to 18,000 under the PST, you also got \$75. So if there's 2 parents and 4 kids, you only got \$150. You got nothing for the kids. And that's why under the HST, that same family, you know, that family is now going to be 6 people getting \$230 per person. So that's a pretty significant difference and for me as a Finance Minister, I just want to make sure the public understand that.

Now, did we get that right? I don't know. You know, we tried to. But, you know, some people say yeah, okay, well that's fine. But you know, I'm still having to pay extra minister on my gym membership or I'm having to pay extra when I get my haircut. And I think, you know, you need to be aware of that and do something about it. So that's why we're having this listening exercise.

The other thing I should mention, folks, very quickly is that there's a website called HST in BC that you could go to. So if you just Google HST in BC, you can go to that website and you can get lots of information on what it applies to, what it doesn't apply to and it's very factual. And hopefully, if I haven't explained something fully or you didn't fully understand it, you can find the details there. I'm trying to keep my answers as brief as possible to get as many questions as possible. So, thank you for that, [caller]

**Moderator:** Thanks, minister. We have a comment from [caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** I'm a senior citizen, and I totally agree with the HST. Well, nobody ever says don't give me money for something. They're always asking for money, but there's exemptions for that. And we in the province, it's booming. It wasn't in 2001. He was, Kevin is right. And now it's booming. Everything, the businesses came back and it keep working. So I totally agree with the HST with this.

**Hon. Kevin Falcon:** Okay. Well, thank you very much for that input.

You know, I think it's entirely legitimate for people to say it. You know what, just leave it the way it is. Use the additional revenues to, you know, continue to get back to a balanced budget and support health

and education, and other spending priorities. That is a legitimate option too. Just as it frankly legitimate for people to say scrap it and go back to GST plus PST. That is a legitimate point of view.

I disagree with it. I think that it's frankly very hard to make a good argument for returning to a provincial sales tax, I really fundamentally believe that. I think it's why no where in the world is introducing sales taxes anymore and haven't for 35 years. But it is a legitimate point of view. It's just a different one. So I very much appreciate you saying that. And I've made a note of your comment. Thank you

**Moderator:** Thank you, minister. We have a question from [caller]. He's interested in the funding for education and health, and how going back to the PST might impact that. [caller], are you on the line?

**Caller:** Yes.

**Moderator:** Go ahead.

**Hon. Kevin Falcon:** Go ahead, [caller]. I'm sorry.

**Moderator:** [caller], are you there? Go ask your question.

**Caller:** Yes, hello.

**Hon. Kevin Falcon:** Go ahead, [caller].

**Moderator:** Okay. We may have lost [caller] minister. We'll move on to [caller]. She's curious about the tax being collected in BC but being sent to Ottawa. [caller], are you on the line?

**Caller:** Yes, I am. I was just, this is only my perception, but I'm a regular Canadian and just thought that there's something I haven't heard discussed that I'm aware of, anyway. And that's taking a larger step back and looking at a macro view of this problem. As I understand that we gave the federal government the right to collect our 7% PST and in return, we got a very large lump sum of \$1.6 billion. Plus we got about 1 or 2% back. So, they collect 7 and our Province gets about 1 or 2% back. Now, 1 or 2% going along plus the \$1.6 billion, of course we're going to look like we're prospering and there's roads and bridges and all kinds of wonderful things happening and people are back to work and that is very nice and Olympics didn't look too bad as far as helping pay for some of that et cetera, et cetera.

But my concern is, is down the road a little bit, when this money runs out this nice big lump sum that we got. What reassurance do we have as British-Colombians that the government won't then just introduce another tax for BC because the province needs more money? But the federal government still gets to keep the HST, you know, do you think that this is a legitimate question? It seems to me that we sort of gave something away, but what assurance do we have back that like I said, we won't just get another new provincial tax 2 or 3 or 4 or 5 years down the road and then we'll have both of them again?

**Hon. Kevin Falcon:** Sure. Thank you for that question, [caller]. It's an entirely legitimate question. So, actually, I'll just correct a couple of things just to make it clear. And I probably wasn't clear and I apologize for that.



But the \$1.6 billion was one-time dollars that were provided by the federal government to the Province to help us transition into harmonizing the provincial sales tax with the GST, which then became known as the HST. So those are additional dollars, one-time dollars.

And frankly, I mentioned earlier, at the time they were really welcome dollars because of course we were going to an international economic meltdown at the time and you know, as health minister at the time, I was sitting around the cabin table looking at - I remember one period where we saw over \$2 billion in revenues we were counting on disappear in a 60-day period. So, it was a pretty frightening time for business, for governments around the world. So, that \$1.6 billion was kind of meaningful especially at that time.

But I don't want, I have to correct you in the sense that you know, we still get all our provincial PST revenues back because we harmonized the PST with the GST. As I mentioned, the 80% of consumer purchase don't change, but on 20% of them, the PST portion, now applies in addition of the GST. So, that actually generates additional dollars to us. All the federal government does is administer it so that we don't have to have two duplicate bureaucracies administering two separate taxes.

This is the simplification part of the HST. Instead of having a provincial bureaucracy of 300 people costing \$30 million a year, then imposing all of those additional paperwork cost on the small business across the province, because they have to deal with the provincial sales tax bureaucracy in the filings and the auditors and then they also have to deal with the GST filings, the paperwork and their auditors. In this HST world, it's all done together and it's all done by a federal government and they send all the revenues back to the province of British-Columbia that are generated as a result of our PST being merged with the GST. As I mentioned, its additional revenues, particularly over time, because what happen is you have a much more efficient tax system that generates additional business activity.

That's again why 140 countries around the world moved toward these kind of value added taxes. You know, it was an earlier caller that said and it's fairly said, I don't take any track with people who say, Well, you know, it's a break to business. It is, but it is done for the purposes of trying to generate growth. It allows British Columbia and companies to be more competitive, whether it's with Alberta companies, or Ontario companies, or United States companies, or Chinese companies or what have you. We want to have the most competitive possible environment so that we can have job growth, economic growth and economic activity.

And that in a nut shell is why we made the decision to go with HST. But it is, I want to be clear, it generates additional revenues particularly in the out years for the government of British Columbia. In fact, from day 1, we thought we actually were going to lose revenues initially as we, paid out the rebate et cetera. But it is such an efficient tax, in terms of stripping out a whole bunch of cost that are imposed to business and put cost through imposed on small business cross the Province that it has generated increased economic activity, which is resulted in the increase of revenues and that will grow in the out years. But thank you for the question as it's still a very good question

**Moderator:** Minister, thank you for that. Why don't take a moment from the calls to invite or welcome those who joined the call part way through our call tonight and ask Minister for you to restate your

opening comments . Some people who have joined and not have heard your opening comments.  
Minister

**Hon. Kevin Falcon:** No problem and thank you very much; I'll try to be very brief.

This is being done because we've phoned so many households in Surrey. It takes about 25 minutes, I understand, to make all the phone calls so a lot of people came on and missed my opening comment. I'll just be really, really very brief.

Welcome, my fellow Surrey residents. Thank you so much for coming out, and thank you for joining us and allowing us to use this technology to reach out. There's so many people, and to allow me to hear such great input. Just heard a whole series of very, very good questions with respect to HST.

One of the things that we want to do with the government is make sure we achieved 2 things. Number 1, I really want to make sure that we have an informed public on HST, so that when the public goes to do their mail-in ballot referendum, we've moved up the data as you know to the end of June, we want to make sure that when the public makes that ballot vote, they're doing it on an informed basis. That's really important to me because I just think it's so important that we make sure that public has the right information, and then they can decide whether they want to keep HST or go back to a PST plus GST system.

But the other purpose of tonight's call is to listen to members of the public, and we're going to do this myself and Minister Blair Lekstrom, my colleague is doing one tonight also, up in Peace River Country. We're going to do this right across the province and we're listening to try and see if there's ways or ideas that the public might have on how we might improve the HST. And generate increased support for what we believe at the end of the day is sounds tax policy. Poorly introduced for sure, not explained at all, absolutely we're guilty of that, but we're going to fix that and we acknowledge that we really could afford job initially.

So, and I have been listening, it's about making sure that I can hear from you folks your ideas, your suggestions so that we can then take that back and as a cabinet and a government caucus, we can listen to those, we can look at the policy option ideas and see whether there's something we can do to improve HST. So, thank you so much for joining us tonight and I look forward to more calls.

**Moderator:** Thank you, Minister. Just to remind everybody for those who did joined the call, but if you press star 3, you'll be able to get into the queue to ask the minister a question. We're going go to [caller]. He's got a question about HST being passed on to consumers. [caller], are you on the call? [caller] are you there?

Okay. We got feedback and we've lost [caller]. We'll go to [caller] he has a question about HST and its application on real estate. [caller], are you there

**Caller:** Yes, I'm here

**Moderator:** Please go ahead

**Caller:** Yeah, it's in. yeah. It's in regards to real estate and of course that real estate prices in BC as you know are ridiculously high. And of course the amount of tax that's now paid is it's almost obscene when you figure it out. And I was wondering whether specially for first time buyers, I know there's certain rebates available, but they come in at a level that seems ridiculously low and if it were adjusted to a more meaningful level that was adjusted to inflation.

And then of course the property transfer tax, that again is the second tax that adds a tremendous amount to real estate. Those 2 items alone just make the amount staggering. I don't mind paying a little more for my meal or few other little things like that, even vehicles and that seems to be acceptable. When you talked about something that you want to encourage in the Province like home ownership, it'll having a more meaningful level adjusted to first time buyers. I think would be a big step is something that I would like to see.

**Hon. Kevin Falcon:** Sure and thank you, [caller] great question. And, you know, I've certainly heard that before. So what we did is we provide essentially full rebate of the cost of purchasing a home up to \$525,000. So we provide a \$26,000 rebate and over \$525,000, of course the additional cost is going to be added to the purchase price. And there's no question that is an additional cost.

Now, I just made a note here of your suggestion and I think what I heard you saying, [caller]. And I think it's fair to say \$525,000 cost in the old days, that was, that was a pretty expensive price. And I know that in most parts of the province, you might be able to buy a house for 525; in Surrey and Vancouver it's., you know, that's still pretty tough to do. You can get maybe a condo or a town home, maybe some houses, but as we all well know, 525 is often just the starting point for many homes.

So, I made a note of your suggestion. I think what you're saying is that when you look at that impact over \$525,000, you know, taken the fact that you got property purchase tax that was introduced in the 1980's. Then also, you know, has an impact in housing costs. That's something is a very legitimate comment, and made a note of that, [caller] and I thank you for that input.

**Moderator:** Thank you. We now have time for the 2nd of our feedback questions.

Again, I'll ask you to use the number pad and answer the questions. Listen carefully, I'll read the question twice, and the answers. Here's the question:

If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could take only 1 option to make up the revenue difference, which of these would you choose? There are 4 options.

Increase the PST rate, press 2.

Raise personal and corporate income taxes or other taxes, press 3.

Run larger deficits, press 4.

Or cut government spending, press 5.

The question again: If British Columbians choose to return to the PST-GST system, there will be a negative impact to the provincial budget. If you could pick only 1 option to make up the revenue difference, which of these would you choose? These are the 4 options:

Increase the PST rate, press 2.

Raise personal and corporate income taxes or other taxes, press 3.

Run larger deficits, press 4.

Or cut government spending, press 5.

Please vote now.

We're going to go to question from [caller]. He's a small business owner with a question about tax on labour. [caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Go ahead.

**Caller:** Hi there. I have a question about this that has to do with having tax on labour, which is driving labour underground with such a high amount of tax that we've had it increased from 5 to 12%. And it's really a shock to a lot of small business that based their services on labour. What is going to be your fix to try and help us with that?

Because I think that it should be, possibly, going back to way it was before, which is 5%. And now to be paying 12% on labour on top of doing the job, say a kitchen renovation or any of that kind of renovation work.

**Hon. Kevin Falcon:** Thank you, [caller].

Look, I think that, that's just legitimate. And I, you know, someone asked me a variation of question the other day. They said, well you know Minister, with the HST, isn't that going to encourage more underground activity? And I don't want to pretend it won't. There probably will be some of that that's going to take place. It's always been there, but there probably be some more of that. So I don't want to, you know, pretend to people.

This is one of those examples where there is some cost. I think, when we think about the HST, it really has to be in the context that on balance, this is good or bad thing with the economy as a whole. And, you know, overwhelmingly what most of the panel of economist, and anyone that really seriously takes a hard look at it, - if they're truthful, I think they'll say, you know what, there are some winners and losers. In your case, there's no question, if you're selling labour, that labour cost is higher. It's now going to be 12% instead of your old 5%. No question about it.

Well, that does inhibit some people from purchasing some household labour, it could. But I think on balance, if we have a tax system, there is a tax system that encourages investment and growth and a strong economy, that that will benefit all of us. And a strong economy, it's kind of like the Conference

Board of Canada this morning, when they reported out that British Columbians has the highest level of consumer confidence in the country. That's generally a good thing because when we have high levels of consumer confidence, then British Columbians are prepared to spend and they're prepared to, you know, make investments, buy homes, whatever the case may be.

And so I believe, overall on balance, we get a better result. But that doesn't mean that the example you raised is not factual. Doesn't mean that in some sectors, the restaurant sector, some part of the restaurant sector, clearly not all because I hear positive stories too. But, you know, clearly some segment of the restaurants, in particular fast food, are going to be impacted with the more price sensitivity. So, you know, we have to acknowledge that. But I think that [caller], I have made a note of this, and I'll give that some thought and talk to our policy shop as one of the areas that, if there's, you know, anything we can do or look at. So I really appreciate the question.

**Moderator:** Thank you, Minister.

I just wanted let you know we've had almost 27,000 participants on the call tonight. So, thank you for the patience on the line, for the questions. And again, if everybody wants to press star 3 to get in line to, ask the Minister a question, please do that now.

We're going to go to [caller]. He's got a question about HST on reading materials and school supplies. [caller] are you on the line?

**Caller:** I am.

**Moderator:** Please go ahead.

**Caller:** Yes. I was just wondering if there's any way of eliminating the HST on the school supplies and reading material? I am actually in favour of the HST, but I think that in certain areas that should be eliminated.

**Hon. Kevin Falcon:** Thanks very much, [caller]. I think the good news is that we've exempted books from the HST so that we keep it the same as it always was.

So that includes, I'm advised, that includes educational books, but thank you for the questions here.

**Moderator:** And now we'll going to go to [caller]. He's got a question about HST on the unemployed and on seniors. [caller], are you on the line?

**Caller:** Yes

**Moderator:** Please go ahead

**Caller:** The question on unemployment is the fact that actually in BC we are a very strong economy and that, but we still have a heck of a lot of people that are unemployed. So, as far as the HST, I do believe it's a good thing to have the harmonization but I don't believe at 12%.

The other part that I disagree with is the amount of seniors that find it extremely hard to have HST on a lot of the household charges they do have. They get such a small increase in any type of pension they do get a cost of living, but there are a cost of living has grown a heck a lot more in places like Surrey then and some of the other areas. So that's my concern is maybe the senior citizens.

**Hon. Kevin Falcon:** Sure and thank you, Ken for that and I think that's a very good point.

I'm just making some notes here on that, seniors for sure. And you know, my mom is a senior. We've all got aging parents. We know frankly as a population, we've got an aging population and a shrinking work force, which I would argue as another reason why we want to make sure we have a sound sensible policy options.

I think our tax policy, I think it's important to recognize that of the 1.1 million British Columbians that received the HST rebate, 15% of them are actually seniors and remember that you know, a single person that's earning \$20,000 a year receives \$230 a year in HST credit and again, partial rebates are there for those who are earning up just over \$25,000 in family income.

So that doesn't mean that there's still not an impact. There is \$230 you know, generally, it depends how much the senior spends you know, it depends if they're still spending a lot of money, if they're eating out a lot. If they're, you know, going for regular haircuts et cetera. It just totally depends. To put it in perspective, \$230 you have to spend about \$3300 to equate to the \$230 rebate that you receive. So, it's just sort of a point of contact.

I do think though that what I've heard from you [caller] is you're concerned about the impact on seniors. We have to be very aware of that and we have to, you know, consider that and make sure we fully and very carefully look at what the impact is for seniors and whether the rebates that we provide for low-income seniors are fully offsetting the impact of the additional cost that they will be paying in their spending on HST and that's something we will absolutely take a very very hard look at.

Because, as I said at the very beginning of this program about HST, you know, HST it impacts people differently. It totally depends on what you spend. So across the spectrum, at the low-income side it could be anything from virtually no impact to your slightly better off. To the, you know, as you go higher up the income scale, typically you're out spending a lot more and you're paying more in HST. That's how a consumption tax generally works. But, [caller], I appreciate the question. I made a note of that and we'll follow up on that.

**Moderator:** Thank you for that. I just wanted to note that we probably have time for 3 or 4 more question.

For those of you who waited patiently in the line, remember that you'll be prompted at the end of the call to leave a recorded message and it will be reported out for the government , so thank you for feedback in advance.

Minister, we're going to go to [caller]. He has a question about the effect of the HST on families with small children who are not business owners. Are you on the line?

**Caller:** Yes, I am

**Moderator:** Please go ahead.

**Caller:** Yeah, sure.

Minister, my concern is we are a young family who's not in the low income bracket; we do not have a small business. So we're earning fairly all right, but the HST we are noticing that we are not getting a good rebate as we, you know, as others do get and we are paying through and through and through. So my concern is, is HST going to back people like us to either start a small business or to low income families or move to Alberta, which does not have the HST.

So the point here is, I do understand you are saying that countries have, you know, to evolve. So Canada is a country, it has evolved with an HST to you know, everywhere, except Alberta, and other part of Canada? What are my options? It's what I'm saying, it's what my concern is today.

**Hon. Kevin Falcon:** Sure and thank you very much for the question.

I think it's a good question because look, what happens with HST and you're right to point it out. So I don't know how many members of your family you have and obviously I don't know what your family income is, nor I do want you to state over the phone. But the important point that recognize is that under the HST we provide rebate so we provide cheques that we send back - cash in the form of cheques four times a year - for families that are earning up to \$25,000. If they earn up to \$25,000 and get the full \$230 for each man, woman and child in their family. But we provide partial credits that continue to be giving for incomes up to \$48,000.

Now you know, at some point you have to cut it off, right? I mean you don't necessarily want to be providing you know, rebates to family that might have a family income of over a \$100,000 for example. Even though we recognize that there is an impact on those families, they're probably spending something more than they used to because of the fact that you know, that PST portion does apply now to 20% of services that it did not apply to you before.

So what I'm hearing from you, I think, is what you're saying is even for those families, you know, that are struggling to raise their families even with the personal income tax cut of almost 40%, I talked about at the beginning, I totally recognize it still struggle.

But what you might be interested in is our budget that we introduced in 2011. If you go back to, I think it's in the appendix, there's actually a chart and shows what the total tax burden in British Columbia for families. And it has got different ranges, you know a family with an income of 90,000 and it's got all the different examples. A senior earning \$ 20,000, that's got all these different examples. And it compares it. And that means everything from MSP premiums, to consumption taxes, to personal income taxes, the property taxes, the whole sort of range of taxes. BC, [caller] ranks at the very bottom in Canada, or just slightly above Alberta and I think that's important thing to recognize.



So if you were to say to me as the Minister of Finance or Minister, where should I go? Where will I pay the lower taxes? I would have to honestly tell you, you would be slightly better off in Alberta depending on your income level. But British Columbia is right next to Alberta in terms of the lowest tax jurisdiction in the country and it is dramatically higher in some provinces like Ontario, Quebec and some of the other provinces.

So my point is that HST, it does impose some additional cost but it also has some really significant benefits. The lack of duplication, the huge reduction in administrative burden that's imposed on some business and frankly on government. We save \$30 million year from not having to have 300 bureaucrats that are handling the paperwork associated with the provincial sales tax. So you know, we have to factor all of those things.

And in terms of whether you know, where you start a small business well, I can tell you we've reduce the small business tax rating BC by about 45% since I got elected in 2001. We're marching that rate down at schedule to go down to zero by 2012 and this threshold for what we define as a small business we've increase from \$200,000. In other words if you are up to \$200,000 in your small business you pay a small business tax rate, we increase that to \$500,000. So that is really about trying to incentivize individual like yourself to start a small business in a province like British Columbia. Where hopefully you're going to be a big business and then pay the higher 10% tax rate, but that'll be based on the success of the business.

But thank you for that and I appreciate that feedback and I've made a note 'cause really what you're saying at the end of the day is look, you know, your family, you feel you know, that you're still paying additional cost. I can tell you our new premier, Premier Christy Clark has been very clear that we are a government that is going to be looking at everything we do through a family lens and we want to try and reduce the impact on families and I've made a note of that and I really appreciate that call.

**Moderator:** Okay, Minister. You have time for a couple of more questions.

We're going to go to [caller]. She's a single mother wondering about how she benefits from the HST. [Caller], are you on the line?

**Caller:** Yes, I am

**Moderator:** Go ahead

**Caller:** Oh, hi. I think actually. Hi, Kevin.

I do disagree with how the HST would actually help and which you've been talking about that a lot tonight. I do disagree how it was presented to British Columbians and I think that's why you had, the government had, such a backlash from everybody with you know, getting the petitions. That's why Gordon Campbell had to step down. So first of all I don't agree with that.

Second of all, I think the question that I had was pertaining to what that lady asked just prior to me coming on about middle income families. I'm just above that threshold. So what's the benefit for me?

All the prices are going up, except my wage and now we have to pay the HST. And I've seen on the news yesterday that they're bumping up all of the next year prices on groceries are going up, meat, vegetables, a certain percentage so I think you've kind of answering my questions prior to like what, what benefit do I get?

**Hon. Kevin Falcon:** Sure and that's a very good question and by the way just on the groceries I haven't mentioned before; groceries are also exempt from HST. So I just want to make sure everyone knows that.

But you're right about your grocery prices are going up, because of demand for commodities and there's you know real price pressure now on certain goods in grocery stores. But I just want to emphasize that's entirely unrelated to HST, which does not apply to groceries, and nothing is change with respect to that.

One thing I do want to say is that, so if you're just above that threshold, the income threshold that I talked about, what that means is that yourself, as a single parent and your child or children will still receive HST credits, but they will be adjusted depending on how high your income is. So I mentioned earlier, you know, we have partial credits that are provided for incomes that go up to you know, \$48,000 and these HST rebates are entirely distinct and separate from the GST rebates that apply. So for example, a family of four, you know, you've got, if there's a family of four earning \$25,000 they get \$920 a year in HST credits. But they also receive just over \$900 in GST credits annually.

I think that's a really important fact that we want to out there for the public, and ironically just today in question period, I had the Finance critics for the NDP stand up and ask a question about the HST rebates that really made it very clear he didn't understand that facts. So it just shows you what a job we have ahead of us to make sure that we get proper information out to the public.

But I think [caller], what I want you to know is Premier Clark, our premier has made it very clear that she really wants us to look at things from a family lense and to do everything we can to recognize that even with personal income tax reductions over the years and some of the other things that we've try to do to lightened the tax load, it's still tough.

We live in a beautiful place, no question about it, but it's still tough to raise a family and I've made a note that, I think if I could fully understand what you said is - let's try and find a way to provide additional relief at the family just like myself.

So thank you very much for that, [caller].

**Moderator:** Minister, thanks for that.

We'll take one more caller and we have some time for some closing comments.

I'll just remind everybody that at the end of the call, you'll be prompted to leave a message if you want to leave any comments or questions for the government at the end of the call.

We'll going to go to [caller]. [caller] has a call about HST on prescription drugs. Minister could you. sorry, [caller], are you on the line?

**Caller:** Yes.

**Moderator:** Please go ahead.

**Caller:** So my concern is, I'm glad that you've got a family emphasis on this, but family need to sometime consult lawyers. They need non prescription medication. These things are non-discretionary.

And to have any kind of a tax on those is penalizing, I think to a number of individuals, not only in the lower income brackets but in middle class and upper middle class. It really limits what you can do. It limits your control over your health and your social situation.

**Hon. Kevin Falcon:** Thank you very much for that question [caller].

I think it's a really important point. The one thing I can tell you is good news here is prescription medication and drugs dispensing fees are there's no change or whatsoever under HST. So at least the provincial portion does not apply and there's been no change whatsoever.

What you should also know is that if you are a senior or an individual of low income under fair pharmacare and there is significant subsidies that are provided, I know as the former Health Minister, that eliminate the cost of your drugs depending on what your income is and of course the more income you have, the more you contribute towards the cost of your drugs.

So it's entirely income related and in fact the lower income benefits has been actually improved recently. So if you need more information on that, feel free to e-mail myself directly if you wish. Or you can go to [HSTinBC.ca](http://HSTinBC.ca) which is the website that talks about what the HST applies to and what it doesn't apply to. It's all in there for you. But thank you for that question [caller].

**Moderator:** Okay. So that's all the time we have for questions on the call tonight.

But again, please stay tuned and at the end of the call you'll be prompted to leave a message if you're interested in doing so.

Thank you for your participation. Minister, I'm going to turn it over to you for your closing comments

**Hon. Kevin Falcon:** Certainly and thank you very much.

I just want everyone to know I'm really honoured that 27,000 people would make an effort of picking up their phone and having a listen to this telephone town hall for Surrey. I really appreciated the feedback I got. I thought those are exceptional questions. I said at the beginning, I don't think there's any such thing as a stupid question and we heard actual a question throughout and I've made a copy as notes in terms of some of the suggestions and the concerns the people have around the HST and I really appreciated it.

I want folks to know that I absolutely acknowledge upfront that we did a terrible job in how we introduce the HST and how we did not explain it and I sincerely apologize for that. Having said that I really believe it on balance, though it's not a perfect tax, I really do believe on balance that harmonizing our provincial sales tax with the GST is the right thing to do overall for the benefit of our economy in our province, in our future and frankly for my kids and yours and the kind of future that we want to have in the province.

But what we want to do is figure out under a new Premier Christy Clark and under a lens of how do we make things better for family, for a families first agenda. We really wanted to hear other ways that we can improve HST and I've heard some exceptional ideas this evening.

I very much thank all of you for taking part in this and those of you who didn't get a chance to ask a question as they mentioned you can certainly leave a message with us. You can also go to [HSTinBC.ca](http://HSTinBC.ca) and you can contact us through that and there's an e-mail address, [HSTinBC@gov.bc.ca](mailto:HSTinBC@gov.bc.ca) or you can e-mail me directly and we'd be happy to get back to you with any questions or further information you have.

Thank you so very much. I've really enjoyed it tonight.

**Moderator:** Thank you Minister and thank you everybody for participating. I'm going to formally close this town hall and wish everybody a good evening. Goodnight

## KOOTENAY TELEPHONE TOWN HALL SUMMARY

Date: May 4, 2011

Host: Minister of Transportation Infrastructure, the Honourable Blair Lekstrom

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
63,659	28,171	17,316	16	61	190	23

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the third of eleven regional town halls conducted by Government with British Columbians.

Minister Lekstrom responded to 23 questions and/or comments during this call. Issues that arose from citizens of the Kootenay region included the following:

- Interest in reducing the HST by 1 per cent; confusion over the need for so many taxes;
- Concern about HST on travel expenses, haircuts, grocery items, adult-sized children's clothing; property, new housing, restaurant meals;
- Concern over the lack of consultation on the HST; cost of referendum process for the HST;
- Impact of HST on people with low income or making minimum wage, seniors or those on a pension; impact on young families trying to buy a house, use daycare and get ahead;
- Interest in how it will work to transition back to the GST and PST; how government will pay back what it accepted under the HST.

**May 4, 2011 Transcript: Kootenay Telephone Town Hall**

**Moderator:** Hello. Thank you for joining HST Town hall with BC's Transportation and Infrastructure Minister, the Honourable Blair Lekstrom. My name is Sarah and I'll be your moderator for this call.

Before we begin, I'd like to review how this call will operate. The minister will begin with some short comments and then will proceed to a live question and answer period. If you want to ask a question, please press star 3 on your keypad at anytime. Please note that this call is being recorded and will be transcribed. If you don't want your comments to be transcribed, please remain in listening mode. So that we can hear as many questions as possible, we asked that you keep your question short and to the point.

When you press star 3, an operator will ask you a few questions including your first name. You'll then be put in to the queue to ask your question. We want to hear a wide variety of questions. The operator will try to reduce the duplication. When you hear me announce your name, your line will be opened and you can ask the minister your question. After you've asked your question, your line will be muted so the minister can respond and you will be returned to the listening mode. To ensure the minister hears as many views as possible, we won't have time for additional questions. Please use polite language. Anyone using profane or offensive language will be cut off.

Later on the call, you'll be able to provide your feedback on the HST by answering a couple of multiple choice questions. This is an opportunity for the government to hear your opinion on some key questions about the HST. Thank you for your patience. We may not get to everyone who has a question tonight but there will be an opportunity at the end of the call to leave your comments in the recorded message. Again, please press star 3 on your keypad at anytime to ask a question. I'd now like to turn this call over to Minister Lekstrom for his opening comment. Minister, please go ahead.

**Hon. Blair Lekstrom:** Well. Thank you very much and good evening everyone. I want to start by thanking you for taking time out of. I'm sure it's a busy life for everybody out there. This is a great opportunity. This is the second telephone town hall meeting I've had the opportunity to do. Going into the first one, I wasn't sure what to expect. We did it for the Peace Country, which is my home. And it was incredible. The amount of people that participated; the questions that came forward. And really, the primary thing I heard on the call and when I went back home was that people were very thankful that they have the opportunity to participate.

Now, having said that, you know, it's interesting. My preference would have been that we started this process 18 months ago to deal with this issue. Unfortunately, we didn't. The people of British Columbia spoke very loudly and very clearly quickly after the decision was made by government to go to the HST that in such a major tax policy shift they wanted to have input. They wanted to be engaged in the dialogue with the government and I wholeheartedly agreed with them. I'm proud to say that, you know, our government has listened in and this is not a result of government giving the people to vote on this issue, the people of British Columbia earned that right. And I think they can only be very proud of themselves. They made history not just in British Columbia but really across the country by showing that

if people take the initiative to engage with their government. They have that ability and this has come through in space.

Tonight, we are hoping to hear from you on ideas that you have. Everybody has an opinion on the HST, I think for the most part. What we would like to hear if this tax was to be kept; how could it be improved. And that really is the genesis of what we're going to discuss tonight and I'm looking forward to hearing that.

There are information packages that will be mailed out to every household in British Columbia. It will not just be a mail or package from the government that says here is what we think of the HST and why you should support it. It will include both sides of this equation. It will have information from the opponents of the HST talking about why they don't believe the tax we're keeping in British Columbia and it will include the other side. As I stated earlier, I think everybody has an opinion on this. The key issue for me and my colleagues is to ensure that people have an informed opinion. And then, when the vote is taken, the government has already committed to fully respect the wishes of the people of British Columbia on that vote through a simple majority and I'm looking forward to the dialogue we're going to have tonight.

It was stated, that if you don't get the opportunity to ask your question tonight, you can stay on the line. You can actually go on to [www.hstinbc.ca](http://www.hstinbc.ca). You can put your questions before there. There's also feedback on this call to let us know whether it's working well or not and we will go from there. So, with that, I'm not going to take up a great deal of more time. My goal tonight is to listen and hear from you.

I do want to mention that my colleagues Bill Bennett from Kootenay East. He's here with me this evening listening on the call. Bill has done a great deal of work on this as well. And like everything he does, he is passionate about the work he puts in. So, I want to thank Bill for being here this evening as well. With that, let's pass it over and we'll begin the process

**Moderator:** Thank you Minister. I'd like to remind everyone that if you want to ask a question, please press star 3 at anytime on your keypad. People are queuing to ask you a question. Let me start up by asking one that I'm sure many of them are wondering about. Why that the province choose to hold the HST referendum using a mail-in ballot? And, when can people expect to receive their ballot?

**Hon. Blair Lekstrom:** Well, that's a very good question. I mean, the decision was based I think primarily on the ability to ensure as many British Columbians get the opportunity to vote as possible. As I stated earlier, they earned that right as well. The primary issue is this will save British Columbia taxpayers about 18 million dollars which is a very significant amount of money when we looked at this.

There some key dates that we have. The forms will start going out in the mail out the week of June 13th. It should have been received at all homes by June 24th. It allows people to take the information that they gathered through the discussions here tonight or through their own investigation of this tax, to digest it, to talk to their friends and family about it, and then cast their ballot and mail it back. It does have to be back into Elections BC by no later than July 22nd. It has to be there. It can't be mailed on July 22nd. By law, it has to be on the hands of the Elections BC office by July 22nd.



**Moderator:** Minister, thank you for that. We're going to go to a listener call now. [Caller] has a question about the HST and whether or not it can be abolished? [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** [Caller], please go ahead.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hello. I met you before when you were at the Hill Crescent.

**Hon. Blair Lekstrom:** How're you doing?

**Caller:** I'm doing not too bad. [removed]. I just came back from a conference in Vancouver, which of course we drive to Kelowna, then fly, then have to stay at the hotel. And I would guess considerably. I use that word very loosely, that it cost me an extra \$150 in HST in meals, taxis, parking at the airport. And this is very expensive for somebody who lives on a pension. I'm [a senior]. All I have is my school trustee and my old age pension. So, you know, it's very, very expensive. And eating in restaurants now is just absolutely unbelievable, the extra cost. I have a \$100 meal with 3 people and it cost an extra 10 bucks.

**Hon. Blair Lekstrom:** All right.

**Caller:** And I don't want to...

**Hon. Blair Lekstrom:** All right. I'll try and address a couple of the issues you bring [caller]. There's no doubt. We won't sidestep the question, is there a thing that we're going to spend some more dollars on as individuals? Most definitely.

You talked briefly about your hotel. You know, one of the things, and hopefully what we get through not only tonight, is the ability to have a dialogue. But if we go toward this referendum vote, the hotel taxes will actually down by 1%. So, there is a misconception now. I don't know if they raised their prices, for example.

Air fares, you know, I can certainly agree with you there. I fly out to the north and it's significant. But the way this tax works, you mentioned as well a \$100 meal. There would be an increase of \$7 on that, the way the HST is set up now. So, there is some information out there. Again, I'm not here to convince you to vote for it or against it. Hopefully, to put the information in people's hands. And sometimes it is different than what we've heard out there.

80% of our consumer spending in British Columbia is not affected by this. The tax affects 20% of our consumer spending and it's only a 7% addition on that 20%. I know it gets confusing when we start talking about 7% of 20 and so on. But at the end of the day, you and I will spend a few more dollars on some issues. There's no HST on basic groceries as well. [Caller], I know a lot of people, I think, that thought that this was a new tax going to that. There are groceries in our store today that have the GST on them. Those are impacted, but very few. I wouldn't say a great deal of items within our grocery

stores are HST applicable. Hopefully, I've answered that caller certainly to the best of my ability. If we can get one thing through tonight, and that's through a question like you've just raised, it is to make sure that as we move forward we understand if it is HST, an increase is a result to that. We can recognize it. Sometimes it's just the price of other things is going up, so. Thanks, [caller].

**Moderator:** Thanks Minister. We have a call from [caller]. She wants to make a comment about not agreeing with the HST and what's up for the government next. [Caller], are you on the line? Are you there? We may have lost [caller]. Well, [caller], if you want to dial back in we'll get to your question next. [caller] is on the line and she wants to talk to you about improving the HST. [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please say hi.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Minister, there has been talk around reducing the HST by 1%. How does the government do this as an improvement? Because in reality, when you say it's only a \$7 increase on a meal for a \$100, that \$7 might be an increase for the cost of paying the bill. But that's also a decrease of the wage to a server that would have got a tip because someone is not leaving a tip because they've been impacted by that \$7. So, how about reducing it by 1%? Would that actually improve the tax?

**Hon. Blair Lekstrom:** All right. Thanks, [caller]. That was an issue a number of people who brought up, how do we improve it? Can you lower it by 1 point or 1% or 2%? I guess the whole issue around that is how do you lessen the impact on families in British Columbia? Because as I said earlier, there is an impact.

But the key issue is I guess I'm a believer that the HST is a very competitive tax. I think it helps our jurisdiction compete not only with the other provinces in our country or North America. But whether we like it or not, and that's a discussion that goes on as well, we live in this globally competitive environment and we have to fight to get capital invested here. So, you know, how does it help? I mean, every time we have the opportunity to pay less tax it is nice but you also, I think, first and foremost, have to have a job so that you have the ability to get out there and take your family whether it would be out for dinner to the movie or whatever.

So, when people are working, they've got money to spend and when they're not, it's much harder. I don't disagree that this tax has some impact on you and I as individuals. Probably, the most important thing that I spoke about, going back to when I had the opportunity to serve as the Mayor of Dawson Creek, is that governments don't create jobs. They create an environment where the private sector wants to invest their capital and that's who creates the jobs for you and me. So, when we compete like we do, if we're not competitive, we won't have the opportunities for our families. And I think we all want the same thing, which is, opportunities for ourselves and our children growing up. And certainly, if they want to stay in the region once they grow up, that's the opportunity we want for them. Although, if

the HST was able to be lowered by 1% at point, instead of paying \$7 on that \$100 meal for our family, we would pay an additional 6.

One highlight: we raised minimum wage for any of the people that are out there that were earning the smaller wage. I think that's positive. The one thing [caller] said, and I encourage people to do when I get the opportunity at home more so than anywhere else in the province: when we look at a 1% drop, that's about an \$800 million hit to the provincial treasury, it means we collect about \$800 million less. If we're to do that, where do we make that money up? Are there ideas? And I always encourage people to have a look at the budget. It's online if they can or just put their ideas forward. Hopefully, I've done a better justice on that question, [caller]. But a tax is a tax. And then, whether you pay 3%, 5%, it is a tax out of our pocket which I do want to point out will go to pay for our healthcare and education and social programs and so much more that you and I, I think, rightfully want and deserve here.

**Moderator:** Thank you, Minister. We're going to go to a call from [caller]. And he wants to know why we need to have a provincial HST? Why can't we be more like Alberta? [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Will you please go ahead?

**Caller:** Yes, that was my question. Why do we need the provincial tax portion on for the HST, period? You know, I've listened to that, you know, we do need it. But, as far as revenues coming from resource bases, getting pretty close to what Alberta is doing? Or, am I reading it wrong?

**Hon. Blair Lekstrom:** All right. Well, [caller], thanks for the question. I think you might be reading that wrong. I mean, the reason we need the tax whether it'd be a PST format, GST or an HST is to pay for the services that we actually deliver in British Columbia. In fact today, [caller], we actually deliver and pay for more services that the money we actually bring in, that's why we're in a deficit situation. What that means is that, you know, our children – I'm not sure if you have children, [caller], but I do and I think many people do are going to be on the hook to pay for much of our overspending today. I don't think that's fair to them.

So, our goal is to get back to a balanced budget. But we spend our money, we run about – it's a \$41.9 billion budget this year. And the fact is we aren't bringing in \$41.9 billion to pay for all of that. Presently, [caller], 42% of our spending goes to health care, 17% goes to other many things combined. But 27% goes to education, 8% goes to social services, and 6 % goes to interest on our debt. So, I would love to think that we could go without a sales tax of any kind. But the reality is when you take billions of dollars out, there's only one option and that would be to cut services.

I'll speak to the oil and gas side of that. Primarily, I think most people look to that when they talk about resource comparison between BC and Alberta. Gosh! Alberta certainly outstrips us, not just because they are far more developed. You know, in a good year, we may punch 1,100 or 1,200 wells in British Columbia. On a good year, Alberta may punch 20,000.

**Moderator:** Thanks minister. We're going to go to a call from [caller]. He wants to know why we pushed ahead with the HST and why people were consulted. [Caller], are you on the line?

**Caller:** Yes. I'm here.

**Moderator:** Can you hear me there? Please go ahead

**Caller:** Yes.

**Moderator:** It's...

**Caller:** Yeah.

**Hon. Blair Lekstrom:** Hi. Go ahead

**Caller:** Why is it the government would like to push things through without consulting the people that vote for them? Why. You know, for something that's important like that, the people should have a right to say either yes or no. And they don't give us that right. And that's not right.

**Hon. Blair Lekstrom:** Well, [caller]. I agree with you. And that's why we are actually listening here tonight. I said earlier, I'm not sure if you were on the phone earlier, I wish this would have begun 18 months ago. I don't believe the government, when they made the decisions to go to the HST, made it in a malicious manner. It was shortly after the election. We came back. The revenue projections were well down. Even people say how I can change so quickly in that shorter time frame.

I'll give you an example. For every \$1 that natural gas drops in price, it affects the provincial treasury for example by about \$300 million. Today, we're probably in the 440 range. So, you can see just in that one example how quickly we lost. But there is no excuse for our government not going out and engaging as I said. I think the decision was made with the best of intentions for British Columbia being caught up in a global economic meltdown and governments not just in British Columbia but around the world trying to do the best of they could, I think what was forgotten, to be honest with you [caller], is that the engagement of the public has to rank right up there.

I always say that it doesn't matter how good of an idea government has if you don't go out and engage and talk to the public about that idea, it's not a good idea and I think the government, it's fair to say, learned a valuable lesson. Not just in British Columbia. I know governments across the country have been watching how this unfolded. And to be here tonight on this telephone town hall, I think it's a great example of saying, you know what, government made a mistake by not going out and engaging you. We're doing that now. You've earned the right to have this venue and we're going to make sure everybody gets the right information and cast their vote however they think is in their best interest.

**Moderator:** Thank you Minister. We have a call from [caller]. He's a small business and he is wondering about whether or not there will be a compensation if we reverted to the PST because he spend some money converting his machinery overtakes at HST. [Caller], are you on the line? Please go ahead.

**Caller:** Yes, ma'am.

**Moderator:** Please go ahead.

**Caller:** Hello.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hi, Minister. I'll take the opposite side. For us, the simplification was a huge advantage. It did cost money to convert in our accounting software and our point-of-sale equipment. If we have to go back to a multi peer task, you know, essentially within 3 years of spending all this money, you're going to put us with the great deal of expense and having to run another accounting system, more accountants, less production. Is there going to be any break for us, you know, if this goes ahead?

**Hon. Blair Lekstrom:** You know, [caller], at this point, no. I mean, I don't want to mislead you and say gosh, there's a plan in place that if it goes back to the PST/GST that there will be the ability to reimburse business that converted and spent time and money. I know exactly what you're saying. And I concur. I think this is a good tax. And I'm a believer in this. I think it was certainly an emotional issue that when this was presented to the public, they reacted and reacted very strongly – and rightfully so. I'm a believer, that today with the information that's going out, that people will see the benefit of this and allowing us to be competitive for that private sector dollar that creates the jobs for you and I. But, you know, [caller], I want to state again I don't want to mislead you and say that there's a plan in place at all. There isn't on that. And that is certainly a negative side should the public go back to the PST/GST system. Thanks, [caller]

**Moderator:** Thanks, Minister. Minister, we're going to go to [caller]. He has a question about leaving the HST and removing the carbon tax. [Caller], are you on the line?

**Caller:** Hi. Yes, I am.

**Moderator:** Please go ahead.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Yeah. Hi. The HST doesn't bother me so much. But I think what hit us harder than the HST is this Carbon Tax that hits us with our home heating, with our gas, the food prices because our food transportation costing them more. And I don't see any benefit to the carbon tax. That Carbon Tax hits me harder than the HST ever thought of doing. And I mean, if it comes down to it, I'll stop going out to dinner, to a movie because I need to heat my house and put gas in my vehicle.

**Hon. Blair Lekstrom:** Okay, [caller]. Yeah, right now. There is no contemplation that the Carbon Tax will be eliminated. But what we're doing is obviously. What I heard from you is, you know, saying look, I think the HST will work. The one thing that I think may not make the HST better but might make things better in British Columbia is to re-evaluate the Carbon Tax. The exact reason we're on this call tonight is to hear ideas from the people of British Columbia which I think it's why we're elected to begin with. So, [caller], I'll take that. I'll ensure that it is put in to the mix. But again, right now, I can't tell you tonight that, you know, government contemplating changing the carbon tax. We did actually though, and I want

to put this out on the HST; we excepted motor fuels which the only jurisdiction that has an HST in the country to do that. We're allowed to exempt up to 5% of the effective revenue from the HST. And one of the key issues that we've done and one of the major parts that inside up is the exception of fuel. We've also exempted home heating fuels. There's a rebate that goes there as well as our home electrical made as well. I'm trying to make up some of that, but the Carbon Tax. I live in Northern British Columbia; I think it's probably similar in many rural areas. It created some challenges for people. And, you know, one the things tonight, I want to say thank. I mean, the ideas that we're here tonight just because they may not be directly related to the HST. I can tell you are going on a number of years. So, thanks.

**Moderator:** Thanks, Minister. We got a call from [caller]. [Caller] is interested in what the HST is doing for the province in general. [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** [Caller], go ahead.

**Caller:** Yeah. It just frustrates me that we have to pay so many taxes and we, you know, it's like hard enough to live in general because our minimum wage is \$8 an hour. You know we're doing what we have to do but what exactly are you doing for us? It just doesn't really make sense to me. Like I'm only 26 years old and I'm just kind of trying to get into the whole understanding. And I'm proud to be Canadian but at the same time, it's like, you know, it's like we, it's frustrating because I don't really know what exactly we're supposed to be doing. It's, you know, what I'm trying to say, like, we get put on the status that like.

**Hon. Blair Lekstrom:** No. I'll do my best here. I think you raised a good point because I think you show the concern of many. I do want to point out [caller] a couple of things. You talked about the \$8 minimum wage. Good news, maybe you have heard we raised that. Actually I think it was last Sunday. It went up in its first increment. It is now \$8.75. It's on its way to \$10.25 within the next, I believe, 12 months, 18 months in that range by 2012. So, we're going from the \$8 minimum wage up to \$10.25. As I said last week, we raised it to \$8.75, and that's good news.

Today, under the HST system, low income British Columbians actually received a check that goes out to them which is – we have about 1.1 million low income British Columbian that receive a credit cheque. The credit is \$230 per family member based on a family income that makes up to \$25,000. And there's actually a different number there, whether you're an individual, whether you're a couple, or a family of 4 or 5 – that number changes. But people are better off. I think that's a little known fact that many people who are receiving this \$230 cheque are based on what their income is wouldn't receive that if we go back to the PST/HST.

Now, some people are saying you're trying to scare it. That's just the reality. The GST cheque will still be there for you, but the HST cheque is far more inclined to make people happy because it's a higher amount. The other thing [caller] that we have and I will point this out: I've been involved now for 10 years in this position. Prior to that, I served as a mayor of Dawson Creek. We paid the lowest personal income tax in all of Canada today for all people that actually earn up to \$118,000 of income, \$119,000.

We have people on low income. I believe a \$20,000 threshold. There's no provincial income tax now. We've eliminated that. So, things are going pretty well now. In British Columbia, we have a lot of good services and I'll just reiterate. We spend our money, you know, in services. That's the difference. Many people say you're a big business. You have to operate that way. We turned to our shareholder, which is all British Columbians. It's not in money. It's in the service that we provide. 42% of spending goes to health care, 27% goes to education, 8% goes to social services, 6% goes to the interest and debts and that leaves 17% to go to every other ministry to deliver the programs that we have. You know, there's always room to improve. But we live in a pretty good spot with some pretty good services. The challenge here is to take a great deal of money to deliver those services. Thanks [caller] for your question.

**Moderator:** Thanks, Minister. We've got a question from [caller] who is interested in how the government is going to help families with one income. [Caller], are you on the line?

**Caller:** I am.

**Moderator:** Please go ahead.

**Caller:** Yes. We - My husband and I, we just recently had a baby and it's expensive you know to live in this province and buy a house. And HST had really affected house prices. And you know, right now, we're living on my husband's income and you know everything kind of went up with HST, day care went up, food went up, gas. It just feels like, you know, we'll never be able to afford the house, especially with this extra tax on it. And then on top of it, I've just - I was hoping, you know, if it gets passed through, you know, because obviously I truly believe the government did make a mistake. They do need to listen to us and I'm glad to hear that, you know, the government is apologizing for that and they want to move forward with this phone town hall. And so, if it does get passed through, is there a contemplation or is there stuff on the table to talk about long term HST and how they'll help families moving to the housing market because it is very a steeply price rate now for a one income family.

**Hon. Blair Lekstrom:** All right, [caller]. That's a great question. Thank you for it. The whole idea of what we're doing tonight - and as we go through the town hall meeting is to hear from people on what they think will make it better. And as I said earlier, if the HST - if the people of British Columbia say we're going to keep it, we always want to look at ways to improve it for the people of British Columbia. You mentioned a couple of things and hopefully, I'm going to give you some information that will be good news for you.

You mentioned the increase in gas prices is significant; if you're referring to fuel oil for our vehicle, we have actually exempted it to HST. There's no HST on our fuels. So, that helps. And that eats up a lot of revenue under the 5% rule that we operate under. You mentioned home. The HST doesn't impact a home until it reaches a value of over \$525,000. So for people that are purchasing a home, if they purchased them up to \$525,000, the HST has no impact on them. There's a rebate program that's in place that deals with that. So, that makes a break even. I know certainly in the lower mainland - I live in Dawson Creek - \$525,000 is certainly not your average price of house up there. It is substantial but it's nowhere near that.



But there are some good things. I think the key issue for us is that the HST allows us to be competitive with other jurisdictions around the world, so that we do have jobs. Also, I'm not sure what your income is, [caller]. But we do have the issue of the rebate cheque. I touched that matter earlier. So, a family of two for example based on their income if they were earning for the sake of the number \$25,000, they would qualify for the HST credit check of \$230 each. And then, it goes on a declining scale from there. So, if you are more than that, you wouldn't get the full \$230 each.

But there are a lot of good things. I think that the idea that we're listening to the people tonight, as we said, is something that were supposed to do, that's what governments do. I'm happy to say that I don't hear people side stepping this. The way we rolled out the HST originally was a blunder. It was a mistake. And having learnt from it, I always judge government on the ability to admit that they made a mistake and trying to correct that. I guess better late than never. As I said, I wish this program would have begun 18 months ago with engaging. It didn't. We're doing that today. And we're going to ensure that everybody has the information they need and will have the chance to cast their ballots. So, thanks [caller].

**Moderator:** Minister, thank you for that. It's taking some time for us to call all of the households this evening. And we already have more than 15,000 people participating. So, Minister, I wonder if you could take a minute to restate some of your opening comment to make sure that all of our participants have heard your opening address. Minister, could you go ahead?

**Hon. Blair Lekstrom:** All right. Well, thank you and welcome to everybody who wasn't here when we began. I want to thank you for taking time out of your evening. Hopefully the sun is shining on you, and the snow has melted. And you want to get out in your yard. I know at home, that's what they're doing. I want to start by saying my colleague, Bill Bennett is with me as well on the call this evening. So I want to thank you, Bill.

What we're doing this evening is hearing from you. The primary focus is to hear from British Columbians about the HST. It's determined by you. The British Columbians that have earned the right to have their vote on that; the side that wants to keep the HST, how that can be made better. What can we do? So we want to hear from you.

There are some key dates as we go forward. The week of June 13th, the ballots will be mailed out to every home in British Columbia. You should have received them by June 24th, to every household. They do have to be returned by July 22nd to Elections BC. And when I say that, they have to be in the office of Elections BC by July 22nd. So don't mail them that late. Make sure you get them back in before that.

There's also a mail-out that's going out to every household in British Columbia that will include information from both sides of this equation. You will have information on the pro side of why the HST should be maintained. It will have information from the people that do not want to keep the HST, to ensure that it's balanced. And I said earlier, and I'm sure there are many people that are on the call still. Everybody had an opinion on this. It became a very emotional issue to begin with the way it was rolled out – and understandably so. The people of British Columbia spoke very loudly and very clearly that on a major tax policy shift like this, they expected government to engage them. I don't think there was any

malicious intent whatsoever by the government when they made the decision. This government, like all others around the world, was in the middle of this global economic meltdown. They made the decision that they believed was in the best interest to British Columbians to remain competitive.

The primary issue that they forgot was to bring the public that they represent the law. And I was part of that decision. And I don't sidestep to that issue. I've always thought the tax was a fair tax. The issue I have obviously, going back to last June when I made the decision that I did, was the unwillingness to go and engage the public. I'm happy that the government has recognized that this is the proper way to go. And I will put our website here shortly that you can go to and gain information.

The key issue for me is that everybody has an opinion. I'm going to do my best to make sure they have an informed opinion, and then base their decision based on that information that they're able to gather. So, just before I close and go to other questions, there is a website. It's [www.hstinbc.ca](http://www.hstinbc.ca). It has a great deal of information on it. You can visit that. You can actually be engaged on that as well. So, I encourage you to participate in that. If you don't get your questions answered here this evening, we'll get to as many as we can. And then put forward your ideas and still on, on the HST, how it can be improved or what your thoughts are on it through that website as well. So again, welcome everybody

**Moderator:** Thank you, Minister. I'll remind everybody that if you press star 3 at anytime, you'll be queued to ask the minister a question. Minister, we're going to take another call before we go to one of our poll questions. We have a call from [caller] who wants to know why there's HST on utility payments. [Caller], are you on the line?

**Caller:** I am.

**Moderator:** Can you go ahead, please?

**Caller:** Okay. My question is why utilities are something that everybody needs, it's something everybody uses. It's a matter of life and death to some people. And why is it that the HST was added to those essential items?

**Hon. Blair Lekstrom:** Hi, [caller]. Actually the HST, we have not put the HST onto either our electrical bill or our home heating bill. So the portion you've seen would be the Federal GST, which was applied before we had a rebate. You will see it on there, but it's dealt with through a rebate. So your home heating bill and home lighting bill will not be affected one cent under the HST initiative. So that's a great question because I get that quite a bit. If you look at your bill, there's a rebate line on there as well that will show the HST charged out, and then the rebate back to you as well. So it is a net zero. There was no impact on this. You know, it's so good to get the questions that we have like that because I think sometimes when we have this opportunity to, you know, get out and engage with the public on this, sometimes if those questions go unanswered, people think that they are paying the HST on things when in fact they're actually not. So, thanks for that.

**Moderator:** Thank you, Minister. We're now going to go to our first feedback question to get your input on the HST. I'll be asking you for your preferred answer by pressing a number on your keypad. Please

listen carefully to the options, and then I'll read the questions and answers twice. Here's the first question. The government HST revenues increase faster than the PST revenues would have because the tax base for the HST is broader. If you could take only one way to use additional HST revenue, which would you choose? There are 3 options. Increase spending on healthcare and education, press 2. Reduce British Columbians tax burden, press 3. Provide additional support to families with children, press 4. Let me read the question and the answers again. The government HST revenues increase faster than the PST revenues would have because the tax base for the HST is broader. If you could pick only one way to use additional HST revenue, which would you choose? Here are those 3 options. Increase spending on healthcare and education, press 2. Reduce British Columbians tax burden, press 3. Provide additional support to families with children, press 4.

We're going to go to a question from [caller]. She supports the HST, but she wants to talk about if there's an opportunity to have more disposable income being taxed. Minister, and also [caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** [Caller], please go ahead

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Yeah. Hi there. I am in favour of the HST, and I think it's doing a good job mostly because it is a consumer tax. And as consumers, we decide whether or not we're going to spend the extra money. And the people who are taxed are the ones with more disposable income. So I don't have a problem with that. I'm actually not in favour of the referendum even though it's not going to cost as much as if we actually had to go to the polls because I believe we live in a democracy. We elected our MLA's, and we have given them the right to make the decision that they made. So I don't have a problem with it, but there was such an uproar that, I mean these town hall meetings and whatnot are obviously a good idea. To Bill Bennett who I have been told he's listening tonight, you're doing a great job. We love your candour. And if people want to save some money that won't be have to be collected in taxes, I highly encourage people not to run to the doctor every time they have a virus or a cold. That's about it.

**Hon. Blair Lekstrom:** Well, thanks [caller]. Not much of a question for me to answer there. I just want to thank you for your comments. But maybe what I'll do is. [Caller], you have given me a bit of an opening. I know the answer to the question to a previous caller on home sales. And the one thing I forgot to say there, and I wanted to put this out there is the vast majority, 75% of homes sold in British Columbia are resales. There is no HST on used homes when resales take place. So that's very important. And 80% of those sales are for homes that are below \$525,000. 80% of new homes sold in British Columbia are below \$525,000. I know that if people in the Lower Mainland or on the Island were listening to that, they would differ. That's the 20% probably for the most part fall under there. But some good numbers, and I think a good understanding for people because there are many people where I live is well thought every piece of real estate was now affected by the HST when in fact very few are to be honest.

**Moderator:** Thanks, Minister. We have a question from [caller]. He wants to ask you why we're spending millions of dollars asking people if they want the HST when they've already said that they haven't. [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** [Caller], please go ahead.

**Caller:** Yes. Minister, the people of British Columbia said very, very clearly earlier on, you would be saying about 18 months ago, that we did not want the HST, and we're going through this spending of a few million dollars on this thing here. And also, I'm quite upset that you're putting in tax burden on to the middle class and taking taxes off businesses. The businesses in the past have been passed on the spendings that have done. And I don't think they will be doing that in the future. Thank you.

**Hon. Blair Lekstrom:** All right. Well, [caller], again, a good question. I think this is not about government deciding whether we should or shouldn't go to a referendum. The referendum, the people of British Columbia actually went out under the Recall and Initiative Act and earned the right. They're the ones that actually said to the government we want the right to have a say on this tax. And they went out, they gathered hundreds of thousands signatures which gained them the right to have that both. [Caller], so I'm not going to take that from the people. I will stand behind that. They, the men and women that went out there to work so hard doing that right, did I think an incredible job. And I said earlier that I think they made history not just for British Columbia but for our country to show what can happen when people come together.

So with that, you know, we're going to hear from them. It will cost dollars without question to host this mail-in. But to do it this way is going to save in the ballpark of \$18 million, [caller]. But it's a pretty good thing on that side of it. Now, the other one you talk about taking money away from the middle class. In fact, I'm not sure if you were on the call earlier, [caller], when I talked. The reality is we actually have lower taxes on average; about 37% for British Columbians. So today, in British Columbia, we now pay the lowest personal income tax on your first \$119,000 of income earned or any jurisdiction in Canada. As a matter of fact, we've also eliminated taxes for the lower end, which is \$20,000.

And last, I think close to 20, it's probably 18.8 is the exact number. You now pay no provincial personal income tax, BC personal income tax. And another fact I'm going to point out - actually an additional 325,000 British Columbians, they have no provincial tax at all. So, you know, sometimes, we do get caught up and maybe hearing some things. The thing is to be upfront with you. I think if we hear something and we go with that and then government comes out and says you know that's actually not quite the way it is. The tendency of people is to disbelieve government over something else they've heard. If I have one goal as an elected official, let's go try and change that. So, thanks [caller].

**Moderator:** Thank you, Minister. We have a question from [Caller]. She wants to ask about why there wasn't a consultation for children sized clothing, for children who wear adult sized clothing, before that was changed. [Caller], are you on the line?

**Caller:** I'm here.

**Moderator:** You please go ahead.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hi there. I actually had a 2-part question, but I believe that you've answered the whole first part. But I was wondering. If there is a whole changeover which we did in keeping the HST, will there be some sort of exception for children sized clothing? I have a stepdaughter, and she's actually taller than me. So I have to buy her lady sized clothing which there's HST on there now. But she is only 11 years old.

**Hon. Blair Lekstrom:** You know what, that's a great question, [caller]. And that is exactly what is important about these telephone calls and these town halls we're on tonight. That what we want to hear, from you and other British Columbians is that if the HST is to remain what could improve it. The issue you brought forward just now, I have heard numerous times. It is a difficult one without question, but you're right. There is an equity issue here that if I have a child that happens to need larger shoes or is taller for their age than the average person, I pay the HST. And it does. So, those are the things, [caller], we're looking to take back to the Ministry of Finance through the dialog we're having this evening and as we go forward on the other calls to see if there's ways we can actually improve this. So, thanks for that.

**Moderator:** Thanks, Minister. We have a question from [caller]. He's a trade's person, and he's worried the HST is affecting consumers, and making it harder for them to afford things. How can you. Minister, can you tell him a little bit more about how we can provide for his families? [Caller], are you on the line?

**Caller:** Yup.

**Moderator:** You can please go ahead.

**Caller:** Okay.

**Hon. Blair Lekstrom:** How are you doing tonight?

**Caller:** I'm not doing too bad. Yourself?

**Hon. Blair Lekstrom:** Good. Thanks. Okay. I guess I'll go right up. I guess the way it's going to help [caller] first and foremost is that if we're not competitive in British Columbia, and I know you have trades, and I have a long history of my family with the trades, we don't have the opportunity for jobs. And it may be oversimplifying it, but the reality is if a private sector company can invest their money, they're going to invest where they can get a return. And I don't think that's a bad thing. If I'm going to invest money which I don't have a lot of, I'd like to get a return. Those are the people, through their investments, that are creating jobs for you and me and our family.

So, how does the HST help you? I think in this most fundamental way: it allows us to be competitive in British Columbia with other jurisdictions across the country and around the globe. It's going to maintain and create new opportunities for all of us, not just trades people, as I understand you're a trade's

person, but for everybody. If we're not competitive, we're not going to have the amount of jobs we need to maintain the quality of life we have for ourselves and our family. So, thanks for that question. In a small state of form, you have hit the nail on the head. What it's going to do, it's going to allow us to be competitive which in turn will help us create jobs for all of us. So, thanks.

**Moderator:** Thanks, Minister. We have a question from [caller]. She wants to know what will happen if Canada Post is on strike during the referendum. [Caller], are you on the line? [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Thanks, [caller]. Please go ahead

**Caller:** Yeah. Canada Post from what I hear is going on strike towards the end of this month. And I'm just wondering what you're going to do with the referendum vote if that happens.

**Hon. Blair Lekstrom:** It's a great question. That is one I know, Elections BC is looking at that issue right now. I don't have the answer for you this evening. They're aware of that. I guess on the internal optimist that says they're going to reach an agreement and people are going to be able to carry on. But that's an issue that should have happened, and you know, I certainly hope it doesn't like I think most everybody. Elections BC will have to have a contingency plan for that, and they're going to have to come out with that.

**Moderator:** Thank you, Minister. We have a question from [caller]. She wants to talk to you about restaurants, and how the HST is affecting restaurants and the affordability for families. [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** I'm a bookkeeper. And I'm seeing it from a lot of my restaurants; they are struggling to keep afloat this year. They're talking; some of them are talking of shutting down. They finally mean to see a huge burden. Yes, the collection of 12% and it just goes back to the government. But I think what they're really seeing is a decrease in people, average families being able to go out to the restaurant to do that actual purchase. This is a huge factor for our region. And I actually had 3 questions. One was answered about clothing because I have people coming to me saying it's not fair, it's not fair. I have to pay HST for a 10-year-old for their clothing. And my third thing is if we do both the HST out, how are we going to pay back all the transfer taxes we are paid for accepting the HST?

**Hon. Blair Lekstrom:** All right. I will do my best to answer that. There is an impact when we go to a restaurant. Without question, there is nothing that I can stay. There is an increase in that. But some of the information that we've gathered, the restaurant industry recorded a slower growth when the HST was introduced without question. I think there is an impact on some still. But right now, overall sales

growth has returned to the national average in British Columbia. Still, I don't want to mitigate the impacts it is having and still having on some restaurants. But overall, it seems to have levelled out.

There may be other factors there that I'm not aware of, [caller] that are affecting that business. The clothing issue, the caller before raised the same issue. I have had that issue raised many, many times to me about children sized clothing. We want to take the information that we're hearing this evening and go from there with that. So there are a number of things that we're going to continue to work on, [caller]. And we will do what we can if this tax is decided to be capped.

Now, the other one is where does money come from to pay it back. There was a transfer of \$1.6 billion from the federal government to the provincial government for this transition. That money is in our budget. We have included it. We're in the speck in their use with that money now. It is in the 3-year rolling fiscal plan. So all of that money I want to point out first of all is just going to the services that you and I enjoy. So it isn't a windfall of money. In fact we're spending it on healthcare and education and all those programs well. And in fact we still don't collect enough money to pay for how much we're spending which is a big concern. It will come from British Columbia. If we in British Columbia make the decision that we want to go back to the PST-GST system, we will be responsible to find our \$1.6 billion, and pay it back to the federal government. We'll obviously try and negotiate with the federal government to see what options are available. But that money will come from us.

So, the one thing I go back, I said this earlier on the call, as long as people make an informed decision, that's the most important thing to me. We don't want to base this vote on a motion. I think that was acceptable that the way this was rolled out, people were very outraged. And I think that issue has been dealt with. But if we based our vote, all of us, based on what is in the best interest to British Columbia. That's the key issue here. And if it turns out, that the majority of British Columbians say the best interest, is to keep the HST and try and fix it. We'll do that. If the majority of British Columbians that vote, decide we should go back to the PST. PST-GST, there will be a financial impact on. We will make that work as well.

**Moderator:** We're going to a question from [caller]. And she wants to talk to you about what's happening with the HST's impact on the transportation freight industry. [Caller], are you on the line?

**Caller:** Hello, Minister.

**Moderator:** [Caller], you're on the line. Please go ahead.

**Caller:** Okay. I hear you

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hi.

**Hon. Blair Lekstrom:** How are you?

**Caller:** I'm good.



**Hon. Blair Lekstrom:** Good.

**Caller:** I'm going to – I think probably a comment and then a question for you.

**Hon. Blair Lekstrom:** All right.

**Caller:** I just saw some data online what the HST is costing the average family. And I wasn't clear on whether it was I think was \$400 a year per person.

**Hon. Blair Lekstrom:** \$350 I believe per family. That was the report that came out today, [caller], and the impact on average is to affect families to the tune of \$350 per year.

**Moderator:** Thanks, Minister. We're going to go to call from [caller]. He has a comment about the HST and the way it was introduced. [Caller], are you on the line? Are you there?

**Caller:** Hi.

**Moderator:** [Caller], if you're there, please go ahead. Minister, we may have lost...

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Yes.

**Hon. Blair Lekstrom:** Go ahead. How are you?

**Caller:** My name is [caller]. Hi there. I'm a single. I live in the Kootenays. I just wanted to say that I've lived in other countries, like I lived in the United States for a while when I was going to school and I saw you know, extreme poverty, people not getting health care, lack of social program. So I think you know, as a citizen of BC we were – there was sort of a collective outrage and we considered it an affront like the way it was introduced. And I think that someone paid for the job with that. But I'm happy, you know, I enjoy some wonderful programs here you know, for my kid's education, healthcare. I'm happy to pay the HST. You know, once I understood what the situation was. But I think that it's great that you're doing this, and I'm happy to, you know, shoulder my responsibilities with these taxes. I think we enjoy an excellent lifestyle here. So, thank you.

**Hon. Blair Lekstrom:** All right. Well, [caller], thank you for your comments. You know, I agree. I think we have an incredible quality of life here in British Columbia. And, you know, I've had the opportunity to travel a little bit. And I, you know, I tell my family of this and my children. And virtually any one that will listen, that's, you know. On our worst day in British Columbia, we will have it better than 90% of the world will ever enjoy on their best day. And that's not to say that we can't do things better whether it's individual or as a government. We're going to try and do that. But thanks for your comment.

**Moderator:** Thanks, Minister. We're going to go to [caller]. He has a question about whether or not we can expand HST exemptions on the things like restaurants and haircuts. [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hello. Hi. I've not got any haircut since the HST came in, and I do my own hair now to save the HST. And when I go to the deli counter, I have to pay HST on baked chicken. And yet I don't have to pay HST on baked bread. So, why?

**Hon. Blair Lekstrom:** All right. Good question, [caller]. And thanks for that. So, the issue is that the HST is applicable to everything that was GST applicable before. So, one of the questions earlier was I believe was on grocery. No. Very few groceries are affected. What is affected in your grocery store is anything that was GST applicable before is now HST applicable. So that is one of the things that we've got that had happened. As I said, 80% of our consumer spending is the same as it was prior to the HST coming in. The impact with the HST affects 20% of our consumer spending which means there's a 7% addition on that 20% of our consumer spending. That's the impact. But when you make the purchases that you said before, it would have been GST applicable. And that is now HST applicable. So hopefully I've answered your question, [caller], on that.

**Moderator:** Thank you, Minister. I just want to let our callers know that we're running out of time for questions. We probably have time for a few more. First, we're going to go to a question now from [caller] who's a real estate agent, and is interested in the extra cost in the property transfer tax and how the HST impacts all of that. [Caller] are you on the line?

**Hon. Blair Lekstrom:** Hi, [caller].

**Moderator:** [Caller], if you're there, please go ahead.

**Caller:** Hello.

**Hon. Blair Lekstrom:** Hi, [caller]. How are you doing?

**Caller:** Good. Thank you.

**Hon. Blair Lekstrom:** Good.

**Caller:** I'm just wondering, you know, real estate is trying all across the province. Probably it's for an initial up even in Vancouver if prices are dropping, sales are not as high. And you've mentioned 20% of the things were only impacted by the HST. But one of the biggest impacts is the GST on property, on housing, new housing, etc. You mentioned something about 70% of the sales were private. Yeah. But what drives the business is construction in new houses, et cetera, real estate market and everything else. And in this whole area, the real estate market is done. People have to either lower prices or hit the HST themselves. But there's the seller. And people just don't want to do that.

**Moderator:** Minister, I think we may have lost our caller. Do you want to go ahead and answer as best as you can?

**Hon. Blair Lekstrom:** Sure. Okay. I will do that, [caller]. And sorry we've lost you. I'll do my best. And hopefully I can try and answer that. So, the HST impacts homes once you get above \$525,000. Prior to that, there's a rebate that comes back that makes the purchase their whole. What I said was 75% of homes in British Columbia that are sold are resales, so they're not new homes. And those are not impacted at all through the HST. And 80% of the new homes sold in British Columbia are below \$525,000.

You also mentioned something I believe when you started about the property transfer tax, there is no change to the property transfer tax with the HST. [Caller], hopefully I've answered that for you. There is the ability to go online as well at [www.hstinbc.ca](http://www.hstinbc.ca). And look at that. And as well, there's a place there where you can participate and put your comments or questions forward. So thanks, [caller].

**Moderator:** Thanks, Minister. We're going to go to the 2nd of our case feedback questions. Again, I'm going to ask you to take in your preferred answer using your keypad. Please look into the options and I'll read the questions twice and the answers. Here's the 2nd question. If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only 1 option to make up the revenue difference, which of these would you choose? There are 3 options. Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Run larger deficits, press 4. Again, here's the question. If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only 1 option to make up the revenue difference, which of these would you choose? Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Run larger deficits, press 4.

Minister, we're going to go to a caller. We have time for few more. [Caller] is on the line with the question about whether or not the government will honour what the people want from HST vote. [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Hon. Blair Lekstrom:** Hi, [Caller].

**Caller:** Hi. I was against the HST at the beginning. I thought the way it was on the crossbar for us, was very rude. And you guys admitted that. However, we spend a lot of money changing over their equipment at work to charge the HST. And then if the vote goes again that, then they have to revert back GST-PST. And neither one, neither the PST or the GST is going to go up. Am I right? So either way, we're going to be paying more taxes. So, I think it would be better to just leave it the way it is and work with that.

**Hon. Blair Lekstrom:** All right. [Caller] thanks. And you know, the other one too sometimes, I got this question as well. Is, you know, are we paying more tax? And I said earlier, 80% of our consumer spending, it's the very same. The impact to the HST affects 20% of our consumer spending. And when I say that on that 20%, it's a 7% impact. So, you know, for instance, our sales tax is 7%, the GST is 5%. So

under the old system of PST and GST and 80% of our consumer spending, we spent that 12%. Now, today, under the additional 20% of consumer spending, we'll have an impact of 7% on that.

So it is an interesting situation we find ourselves in. There's no doubt that the introduction of the HST was flawed, recognized not only by the people who earned the right to have a say in it, but by the government as well. And I guess I'll go on a visible comment here. The sign of a government – no government can go through a mandate without making a mistake or two, without question. What I think we've seen many times though is government, whether we're talking about in British Columbia or local government or federal, try and justify that mistake rather than saying you know what, we've made a mistake. In this case, I'm proud to be back with government because of the recognition that, you know, a mistake was made on how this was put forward. And now the people have earned their right to have their say. But we're going to engage with them to ensure that before they cast their ballot, everybody has an informed opinion. And we will honour the results of this. It will take a simple majority whichever way that goes. Government has already said we are going to honour the outcome of this vote.

**Moderator:** Minister, thank you. Our time is almost up for tonight's town hall. We'll go to one more question. I have to remind our callers that if they didn't get a chance to ask their question and they want to leave a comment for the government, please remain on the line and you'll have an opportunity at the end of the call to leave a recorded message. We're going to go to [caller], Minister. He has a question about how the HST if it's less than place. What the government is doing to help lower income British Columbians like seniors and retired people. [Caller], are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hello.

**Hon. Blair Lekstrom:** How are you doing?

**Caller:** I have a couple. I actually had a couple of questions, but my main question is for the seniors in this province. You see they're seeing how everybody is, increases in health cost and all those other kind of stuff. And I know quite a few people who don't go out for suppers anymore, don't do a lot of other stuff, because these people are being impacted by this thing. So, some of these people don't have a lot of disposable income. This thing was in fact through very well. I can tell you that much. And I take exception to the lady who made the statement that if you have a sniffle or a cough, you don't go see the doctor until it turns into pneumonia or something. And then it's a further burden on the people of BC. So that's end of my question. And what are you doing to do for these people? What are you going to do for the seniors in this province, and people can afford this kind of stuff?

**Hon. Blair Lekstrom:** All right. That is a great question, [caller]. And I answered one earlier very similar, and I'll go through with again here. Whether you're senior or a low income British Columbia. We have about 1.1 million low income British Columbians that receive the benefit of an HST credit. 20% of the

recipients for the BC HST credit are seniors. So what that is, is for a senior individual who makes up to I think it's \$20,000, will receive an HST check of \$230. Now, that is above what the GST rebate was. So when we talk about what we're doing, there are a couple of other things we've done as well. For low income British Columbians, there's now 325,000 British Columbians that pay no provincial income tax. We eliminated that for low income British Columbians of which was I said I think about, 20% of those are seniors in our province, in that range. I may be off a little bit. If you're above the low income threshold, we now pay the lowest personal income tax in the entire country on the 1st \$119,000 of income earned which is I think a very good thing. But also not only that low income British Columbians and we'll talk to seniors here, those as I said earning up to \$18,800 pay. No provincial tax. They also are low income British Columbians are exempt from the MSP premiums as well. Which, again, is something we've done as a government.

Sometimes, you know, it's interesting as being part of government, as an elected official. We're dealing with this on a daily basis. Sometimes, we don't do the best job of communicating that out to the people so that they actually know what's going on out there. Some people do, and that's good. But I think we have to be, you know, more engaged through issues like what we're doing tonight, a telephone town hall. We've got to make sure that the good things we do are out there. So people know what's going on. There are lots of things that we take for granted and think people have actually happened when in fact we haven't done our job in communicating that. I tried every day to improve on that. So, thanks for your comments, [caller]. That hopefully gives you some comfort in what's happening in British Columbia with our low income earners as well as our seniors.

**Moderator:** Minister, thank you. I'm sure you want to thank more than 17,000 more participants who've been on the call with you this evening. And I'm going to turn it over to you now to wrap up with your closing comments. Minister, over you.

**Hon. Blair Lekstrom:** All right. Well, thank you Sarah for that. And I do want to thank over 17,000 people participating. It is truly incredible. This, as I said earlier in my opening comment, you know, this was the 2nd opportunity I've had to participate in the telephone town hall. The first was in the Peace Country, which was my home. I didn't know what to expect. We have I think about close to 6,000 people in the Peace Country participating. It is an amazing format in which to allow us as elected officials to engage with the people we represent. You know, it allows in our busy lives sometimes a town hall meeting is a little more difficult to go down to your community hall and participate in. This is a great avenue to communicate.

I do want to encourage people if they have further questions or further information they're seeking. I will. The website is [www.hstinbc.ca](http://www.hstinbc.ca). You can go there; you can gather a great deal of information. You can also put your ideas on how to improve the HST forward on that. Then you can leave a message with that. The other thing that will be happening, I'll close with this as there will be a mail-out going to every household in British Columbia talking about the HST. It will include both sides of this debate. It is not one-sided. They will include the people who have put together the pro side saying this was what's good about the HST. It will include the side that is opposed to the HST and include that information. The key issue when I close with this as I said many times tonight, I think we all have an opinion on the HST or

how it was rolled out. The key issue for me is to ensure that as we go towards casting our ballots, we all have an informed opinion. And I'm looking forward to the results whatever they may be.

As I indicated earlier, I support the HST. I think it's a sound economic policy. I think it will allow us to continue to be competitive with other jurisdictions around the globe, which will allow us to create jobs for ourselves and our families. But I simply want to say thank you. This is a great exercise I think in engaging people on behalf of government. And I'm proud to be part of it. So, have a great night everybody. Hopefully the sun is shining on you. Take care.

**Moderator:** Thank you, Minister. And I want to thank everybody again for participating. And remember that if you stay on the line, you'll have an opportunity to leave a message. And now I formally close this town hall and wish everybody a good evening. Thank you.

## VANCOUVER SUBURBS TELEPHONE TOWN HALL SUMMARY

(including Burnaby, Coquitlam, New Westminster, Port Moody and Port Coquitlam)

Date: May 4, 2011

Host: Minister of Finance, the Honourable Kevin Falcon

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
142,292	50,403	38,522	15	76%	234	24

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the fourth of eleven regional town halls conducted by Government with British Columbians.

Minister Falcon responded to 24 questions and/or comments during this call. Issues that arose from citizens of the Vancouver suburbs included the following:

- Impact / fairness of HST on seniors and those on fixed incomes; the middle income earner is screwed; tax corporate profit rather than low wage earners.
- Reduce HST by 1 per cent; Interest in when the HST will be reduced;
- Exemptions for vitamins, minerals, and herbal supplements; adult-sized children's clothing;
- Concern over how much of personal income goes toward taxes.
- Interest in keeping consumer dollars in BC; concern that businesses are not passing on cost savings to consumers.

Confusion remains about what products have been affected by the introduction of HST. The impact of cross-border shopping to Washington State on BC retailers was raised. Minister Falcon pointed out the vast majority of consumer products have not changed under HST (from PST + GST) such as common cross boarder purchases – electronics and clothes – and Washington State has a 9.5% sales tax on items, including restaurant meals.



**May 4, 2011 Transcript: Vancouver Suburbs Telephone Town Hall** (Burnaby, Port Coquitlam, Port Moody, New Westminster and Coquitlam)

**Moderator:** Hello and thank you for participating in tonight's HST town hall with BC's minister of finance, the Honourable Kevin Falcon. My name is Marisa and I'll be the moderator for the town hall this evening.

Before we begin, I'd like to give everyone some information on how this town hall will work. The minister will have a short introductory comment and then we'll proceed with the live question and answer period. A word about privacy. The call is being recorded and will be transcribed. So if you do not want your ideas, comments or opinions to be part of the transcript of this call, I recommend you remain in listening mode.

In order to include as many questions and comments as possible on this call, please keep your questions short and to the point. If you wish to ask a question, please press star 3 on your keypad. It is as simple as that. An operator will come on the line to ask you a few questions. Please use only your first name when speaking to the operator. We want to hear a wide variety of views and questions from the audience tonight. So the operator will make sure that we reduce duplication.

After you have spoken to the operator, you'll be queued up to ask your question. When you hear me announce your name, your line will open and you can ask the minister your question. After you've asked your question, your line will be muted so the minister can respond, and you will be placed back in listening mode. Please note there will be only questions and answers during this town hall. We won't have time for supplemental questions as the minister would like to hear from as many of you as possible. I ask that you use polite language on the call. Anyone using bad language or swearing will be cut off.

Later in the call you will be able to provide your feedback on the HST directly to government by answering a couple of multiple choice questions. This is not a scientific poll for feedback rather an opportunity to engage you on some important questions about the HST in BC.

Thanks for your patience everyone. We'll do our very best. We may not get to everyone who has a question or a comment for the minister tonight; however, if you stay on the line until the end of the town hall you will have a chance to leave your comments in a recorded message. Again, if you want to ask a question tonight, please press star 3 on your keypad.

I'd like now to turn this call over to Minister Falcon for his opening comment. Minister....

**Hon. Kevin Falcon:** Thank you very much for the introduction and thank you all for joining us on the latest of our telephone town halls. I want to recognize a couple of colleagues that are joining me listening on the phone tonight. They won't be speaking but they will be listening; that's three MLAs: we've got Doug Horne from the MLA for Coquitlam-Burke Mountain, Minister Harry Bloy, the MLA from Burnaby-Lougheed and Richard Lee, the MLA from Burnaby North. And I want to welcome all of them. I really appreciate you folks coming on line this evening. I'm looking forward to hearing from you and listening what you have to say about a very important issue facing all of us.

First, I want to be very upfront in acknowledging something I've acknowledged many times before but is worth repeating, and that is I acknowledged that we did a terrible job as a government, introducing the HST and frankly not explaining it to the public adequately at all. And we take responsibility for that and it's partially why I'm on the call tonight. I want to make sure, first of all, that I can hopefully provide some information that will help you folks make an informed decision when you get the opportunity to vote on the HST. But perhaps, maybe even more importantly, I want to listen on how we might improve the HST and generate increased support for what I believe, at the end of the day, and what most independent analysts will tell you is very sound tax policy.

So, I think it's important to recap the HST just for a minute. We know that 80% of total consumer spending is unchanged as a result of moving to the HST. In other words, we have the 7% PST and the 5% GST as before. That equals 12%. And for 80% of consumer purchases, consumer spending, there's no change. We do recognize, though I want to be clear, that 20% of consumer purchasing there is an additional 7% tax that is now charged, the old PST, because we've harmonized. So I think it's very important to point that out upfront. People pay more and that's where they're paying more.

I think it's also important to point out there are some significant benefits. Firstly, from our point of view, and you'll hear this in different reports, but it reduces significant administrative costs for government and for business. So, for government, for example, we don't need 300 civil servants anymore to have to oversee a provincial sales tax system that cost us about \$30 million a year. For small business, they don't have to have \$150 million in costs having to complete two administrative functions: that is doing the paperwork for a provincial sales tax and the paperwork for a GST. So that duplication, and those additional audits that are done provincially and federally, increased the compliance cost for small business sector.

It's also I think worth noting that there are 1.1 million low-income British Columbians who today receive an HST credit of \$230 per individual, which includes children. And that applies to a family income of up to \$25,000. Now I mention that because under the old PST the maximum rebate we provided was \$75 and that just applied to individuals, it did not apply to kids and that was phased out on income, a family income of just over \$18,000.

So today, I'm really looking forward to hearing your thoughts on the HST and if you've got any ideas on how we might improve the tax. And it is important, of course, that any discussion we have in change that we contemplate, we have to make sure we understand the context, of course, because as we consider these ideas, we also have to make sure we recognize that we have a commitment under law, a law that we passed, a balanced budget law to get back to balanced budget within the next two years. And of course, we have to make sure we consider the impact of any decisions we make on supporting the increased investments that we're making to help in education and other important social services.

And just a final reminder, at the end of June, as you know we've moved up the date, that Premier Clark moved up the date for the HST referendum from September 22nd to now. At the end of June you will start to receive your ballots on the vote on the HST and you will have up until July 22nd to mail in that vote. So just look for a ballot at the end of June as they start arriving.

My final point, just remember, there's no such thing as a dumb question. They're all good questions so let's get started and I'll get through as many as I can. I thank you again for joining us.

**Moderator:** Thank you Minister and we are looking forward to hearing the questions that the audience have. Remember, if you do want to ask a question, please press star 3 on your keypad. It's as easy as that. Our first caller is [caller], who has a question about the HST in the retail industry. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Great.

**Caller:** So, Minister, my question was around the border line-ups that we frequently see and the impact that the HST has potentially had on our retailers in the province of British Columbia. I know that the HST has gone up on children's clothing and things, and I think it forced a lot of shoppers to the South to shop. And I was just wondering if we have any numbers or what the retailers are feeling with regards to the HST and the shopping in the South now.

**Hon. Kevin Falcon:** Sure and [caller], thank you. So, the first thing I would say is it's important to point out that there's been no change on children's clothing. We've provided an exemption from the provincial portion that would normally apply to children's clothing. So I think it's important to point that out now. There have been some complaints, and they're legitimate, about what are sometimes referred to as kids, or big kids, the adult-sized kids that don't qualify for the clothing because the fact they're larger. And so that's something I do want to acknowledge. But children's clothing, as I say, is exempt from the provincial portion of the HST.

With respect to retailers, it's important to remember when we actually started this process, one of the things we know from a retailer point of view is that retailers used to pay PST in a whole bunch of costs that were passed on to consumers in the form of higher prices. So, for example, their heat, their lighting, their shopping carts, computer equipment, display, all of that would attract a provincial sales tax. Under the HST, those costs are now removed. They get an input tax credit for all of those costs, which allow our retailers and our businesses to be more competitive against some of the competition they face whether in other provinces or other jurisdictions like the United States.

So, I don't want to pretend that HST is a winner for all businesses because certainly you'll probably hear later at some point that, you know, the restaurant industry is impacted and there's some truth to that. But by and large for small business, it does reduce a lot of costs.

**Moderator:** Great. Thank you very much. Our next question is from [caller]. [Caller] has a question about why the HST was introduced in the first place. [Caller], are you there?

**Caller:** Hi, there. I was just wondering why do we even bother getting this thing done. It seems like everything was going okay beforehand, like I could see a difference between, you know, the GST and then the PST and now if everything kind of merged together, you know, I know it's on everything, it's

just – it keeps up perception that there's more tax being charged on everything where it maybe should just be charged on some things

**Hon. Kevin Falcon:** And [caller], I can't tell you the number of times people said to me what the heck were you guys thinking? Why would you even do that? Well, I think you have to roll back the clock a little bit and remember that at a time we made the decision to move forward with the harmonization of our PST and GST, that was at a time when we were in the midst of an international economic meltdown and it hammered British Columbia pretty hard.

At that time I was health minister. And to give you an idea, we saw provincial revenues – just in a 2-month period – we saw almost \$2 billion of provincial revenues evaporate as a result of the international economic meltdown. So, Ontario had already been negotiating for quite some time with the federal government on harmonizing their sales tax into the HST and essentially we got offered a similar deal and part of that deal would include a \$1.6 billion infusion from the federal government to help us transition into the HST. And believe me that was \$1.6 billion that was very helpful in helping us to deliver on the increases that had committed to spending on health care and education and to ensuring we get back to a balanced budget as a result of going into depths during the international economic meltdown.

But the reason why we've generally hesitated in the past on this is because it is tough politics because at the end of the day what you're doing is you're saying to the public, yes, 80 percent of consumer spending doesn't change, it's still the 7 percent PST plus 5 percent GST but you're now adding that additional 7 percent on 20 percent of largely services that used to be exempt. And so, that's the political killer. But the reason why ultimately we decided we were still going to go forward is because we know what makes BC businesses much more competitive with other provinces that also are competitors in the United States and around the world. We know it reduces administrative and compliance cost significantly, and I used to run a small business so I have some familiarity with this. There's nothing more frustrating than dealing with a provincial bureaucracy on PST and a federal bureaucracy on GST, and having to deal with auditing and paper and everything that's associated with both of them. And on balance, it generates additional and stronger economic growth.

So, it doesn't mean that everyone's a winner. I want to be clear about that because some are more impacted than others, but for the most part you will find that most independent analyst will tell you it is overall good for the economy in terms of creating a more efficient economy and allowing us to compete more effectively in selling our goods around the world, and that ultimately generates more jobs and more revenues to government. So, that's a long answer, I realize, but in a nutshell that's why we made the decision to go forward. We did it very poorly, I admit. We still haven't properly explained to the public basic facts about it and I apologize for that. We're going to change that and get information out there. But we do believe it is ultimately the right thing to do for the long-term benefit of the economy.

**Moderator:** Thank you Minister. We have [caller] on the line and [caller] is looking for clarity about the taxes that we're going to be taxed on. So, [caller], are you there?

**Caller:** Yes.

**Moderator:** Great. Please ask your question.

**Caller:** I just, yeah, you know, you mentioned 80% of what we used to pay in GST and PST before, I understand that. But what, you know, how much revenue is the government employing on that other 20 percent that we weren't taxed on before? Then how is that compared to the \$1.6 billion we got from the federal government?

**Hon. Kevin Falcon:** Sure. It's a great question. In fact, today [caller] I would encourage you to go to a website called [www.hstinbc.ca](http://www.hstinbc.ca). And on there, you'll see an independent report that was just released by the independent panel that was appointed to look at the HST versus going back to PST plus GST. And it was a real blue chip panel with people like the former Auditor General of BC on there, along with a professor from SFU – in fact, he's a former NDP MLA ironically enough. And a couple of other very, very good people. But if you look at the report, what they will tell you? And I think it's laid out really well because it's very balanced. It says that 80 percent of consumer spending, you're right, it doesn't change.

I mean it's still, you know, the 7 plus 5 equals 12 and there's no change. On 20 percent of consumer spending, however, there is that additional 7 percent. And what that means is on average, for the average BC family, they're going to see a pay in additional \$350 on average per year as a result of moving into HST world. And I'm glad they said that because it is really important we'd be very upfront with the public about that. So, what that means is that in the future years especially, it generates additional revenues to government - they're significant.

So the other thing the independent panel pointed out is that going back to the PST plus GST is something we can do, it's got some challenges too going back of course because we have to repay that \$1.6 billion. But perhaps more importantly to me as a Finance Minister, we take a big, big hit on future revenues that are generated as a result of HST and they're significant. So, on 2013 for example, the net cost to us as a province is about \$531 million and that grows every year because the HST does over time especially generate more economic activity and attracts more investment, it is more investor friendly, it generally allows our businesses to compete more effectively and it allows them to eliminate a lot of the cost they use to have in their cost structure that was all PST driven. You know, that's the PST I talked about earlier that's on heating, lighting, in shopping carts, computer equipment, etc. All of those costs now get returned back to the small businesses and that allows them to be more economically competitive. So, there are additional costs.

There are additional revenues to government, those growing future years. And part of the reason why we're having these listening exercises is we're saying – look, we recognize there is that additional impact on families. What can we do to improve HST? What I did is, you know – can the public share with us? Should we look at, you know, more rebates? Should we say we should try and return some of that on average \$350 cost back to British Columbians? Those are the kind of things that we're also looking for as part of this listening exercise tonight.

**Moderator:** Thank you Minister. [Caller] is on the line and. with a question around corporations. [Caller], are you there?

**Caller:** Yes. Yes. My question is – I'll try to keep it brief. It's with respect to the accountability with where most of the profit margins lie with large corporations that the taxing is going to happen – will be reflective as who is making the most profit – and not fall on the people on the province where the wages are the lowest?

**Hon. Kevin Falcon:** Thank you.

**Caller:** If we're going to have some accountability there with respect to who is actually going to be contributing the most in terms of dealing with the cost and especially with some of the payouts going to politicians on those getting more benefit packages and payouts with their, you know, with leading companies and that's not consistent across the board?

**Hon. Kevin Falcon:** Okay. I think that's an excellent question. Because first of all it's, I think, the other thing you'll see in the independent panel report that you can go online and have a look at is it will point out that about 15 percent of the lowest income British Columbians actually come out ahead as a result of the HST rebate which is provided back to them.

Generally, if you think about the HST, the best way to think about it is that the more you earn, the more you likely spend and therefore the more you will contribute as a result of HST. That's the simplest way to look at it. But there are some – the reason why we send a lot of it back to 1.1 million British Columbians in the form of low income rebates is because we want to try and ameliorate the impact and, depending on a family income level, it can be significant. So, for example, a single mother with three kids as a result of HST will receive \$920 a year, that's \$230 for her plus her three kids. Honestly, the kids aren't spending money but, you know, that single parent will spend money on behalf of the kids. So, that's \$920. If we go back to the PST, that \$920 also disappears. And under PST, that same mother that was earning, you know, \$25,000 a year would receive exactly a \$75 rebate under, excuse me, would receive no rebate under the PST because it was cut off just over \$18,000 of family income. So, I think those are really important facts for the public and particularly for low income folks to know is that 1.1 million British Columbians today are receiving checks of \$230, you know, per man, woman and child in the families and that goes up to \$20,000 per individuals, \$25,000 for family income and it reduces on a family income and you still get a rebate that reduces by about 4 percent per thousand rate up to almost \$50,000 in family income

**Moderator:** Okay. Thank you Minister. [Caller], if you're on the line, I believe you have a question related to the cost of scrapping the added cost of HST. Are you there?

**Caller:** Yes?

**Moderator:** You bet.

**Caller:** Okay. Yes, Minister. First of all congratulations on doing a good job and talking to me and other people tonight. I really appreciate this opportunity to ask questions.

**Hon. Kevin Falcon:** Go ahead [caller]. Thank you.

**Caller:** My question is, yeah, my question has probably been answered already but we know that some businesses are going to hurt because of the HST just like [caller], you know. We need one but it's going to hurt when we go there. But anyway, Nova Scotia and Ontario have the HST and I'm sure other countries around the world have HST as well. Have you gone and talked to the ministers of Ontario or, especially I find this ironic, to the NDP government of Nova Scotia for suggestions on exemptions?

**Hon. Kevin Falcon:** Well, thank you. I think it's an important question because of this; look, what really frustrates me sometimes is because we did such a poor job in introducing and not explaining this. I think unfortunately we have lost sight of what's happening around the world. So, I'll just take a second on this.

There are 140 countries around the world that use exactly the same kind of tax. They call it a value added tax in many European countries but essentially it's exactly what the HST is. And if we went back to the sales tax that we have, the provincial sales tax, we'd be the first jurisdiction in 35 years that actually went and introduced a sales tax like the PST. The last country actually was, I think, Barbados, in 1975 and they introduced it and got rid of it a year later and the reason is that these kinds of sales taxes like PST are extraordinarily inefficient. Because they hit business especially in every single step of the way through their entire process of making whatever it is they make. So, for example if I'm a wine manufacturer, I'm paying PST on the label, on the bottle, on the corkage, on your equipment, you know, your heating cost, lighting, everything and all of that is ultimately passed along to the consumer. Under an HST all of those costs are now pulled out. They don't have to pay all those costs. That means that they can have lower priced goods to sell, it makes them more competitive and that helps our business community grow, which creates jobs.

Now, having said that, we also have to recognize that it is a legitimate choice for people to say well, "You know what Minister? I hear all that, I still want to go back to the PST." That is an entirely legitimate choice. But [caller], you asked me, you know, what is the cost of that, like what is the involved in doing that? And as I mentioned earlier, the first thing is, we have to repay, back to the federal government, about \$1.6 billion; because under the agreement that we have with the federal government, to harmonize, they provided the \$1.6 billion to transition us into HST. So, it has to be paid back. We try and mitigate that as much, maybe we can pay it off over time but, you know, we'll have to see. But it's still a pretty significant impact.

But the more concerning one is the one I mentioned earlier which is that in 2013 it's a \$531 million net hit to our revenues as a province and in 2014 that grows to \$645 million and it keeps growing as we go on. And my worry as a Finance Minister and a former Health Minister is this: we have an aging population in BC and we generally have a shrinking work force and those are not two things that you want to see taking place because obviously it can create some big challenges. So, I do think it is important that on balance we try to have an efficient tax system that generates the kind of revenues we need to balance our budget and to support important programs like our health care, like our education system and like social services that people care about. So, I spent a little time on this [Caller], I apologize but I do think it was an important question.



**Moderator:** Thanks Minister. [Caller] is on the line and he has a question about used vehicles. [Caller], are you there?

**Caller:** Yes. Can you hear me?

**Moderator:** Please ask your question.

**Caller:** Hello. Can you hear?

**Hon. Kevin Falcon:** I can hear you [caller]. Go ahead.

**Caller:** Okay. I seem to have a bad line here for some reason. Yes, you know, you were elected to represent all of the people. And, you know, all I hear you – and you're doing so much explaining tonight that nobody could make any sense of what you're saying. I believe that.

**Moderator:** [Caller], may I ask for you to ask your questions with the Minister. Okay. I think [caller] – we have lost [caller] so we'll go to [caller]. [Caller] has a question about cost savings being forwarded to consumers. [Caller], are you there?

**Caller:** Yes. I was wondering if you have done any reports about this cost saving businesses are supposed to, are incurring – about them passing that on to consumers, because personally I haven't seen any prices been reduced.

**Hon. Kevin Falcon:** Okay, thank you [caller]. Very good question. And by the way, moderator, if [caller] calls back, let's try and get him back on the line if possible. I feel bad that he was cut off.

So, [caller], just with respect to your question...this, I think this is one of the most challenging things for the public to accept at all and I totally understand the scepticism. So, the independent panel report points out that under the HST there's about \$750 million benefit to the business community, small or large business right across the province. And that goes back to what I talked about where some of those input costs are now gone which helps them to reduce the price of their goods or to be more competitive with other folks.

The issue [caller] that you raised is very legitimate in the sense that a lot of people say, yeah, well, you know what, I'll never see any of those benefits, they'll just keep all the money. I think all of you think about it for a moment and look at what typically happens. You go out every day and shop and you will see that businesses are competing pretty aggressively retailer. Retailers have been competing pretty aggressively for quite a long time in BC. And by the way, retailers always pay the, you know, PST and the GST which is 12 percent and it's still 12 percent under the HST. The difference is now is some of those input costs are removed, which allows them to be more competitive. So, will that result in lower prices? Well, if they don't lower their prices and their neighbour next door does or across the street does, then the public is probably going to start, you know, moving over to where they can get better value.

What I can tell you is that an independent economist would've looked at this, I can give you two examples: One is economist Jonathan Kesselman who looked at the HST in BC and suggested that

businesses have started passing along some of their savings although it's modest and it happens over time. So, it is, you know, it's difficult to say oh, well, you know, here's the example X. But I also can tell you that back east there's a very well regarded economist Michael Smart that looked at the Ontario situation after less than a year of HST being in place there and was able to state that there had been passing along of lower prices as a result of HST.

But look, at the end of the day, it really comes down to whether you believe in a competitive economy that businesses will compete on price. If you don't believe they compete on price, then you just shouldn't accept that there's going to be any benefit. If you do believe they do compete on price, then it's safe to say there will be some benefits but it's difficult to quantify, so I don't want to pretend that it's instant or that it's overnight, it does take some time.

**Moderator:** Thanks Minister. For those of you who joined the call while in progress, welcome to tonight's town hall on the HST. I'd like to ask the Minister to make a few comments again for those of you who may have missed the start of this call. Minister.

**Hon. Kevin Falcon:** Thank you very much and thank you everyone that's joined us on this call. I very much appreciate it. We're having a discussion tonight to listen to British Columbians and try and see if there's a way that we can improve the HST and make it, frankly, more acceptable to British Columbians.

The reason we're doing this is two-fold. Number one, we acknowledge and I acknowledge, the Minister of Finance, that we as a government did a terrible job in introducing the HST and not explaining at all to the public – and I apologize for that. We have to do better and we're trying to, in part through what we're doing here tonight. But we also, as I say, want to try and figure out how we can improve it. And I think it's important to remember when we talked about the HST that, you know, 80 percent of consumer spending is unchanged under the HST. In other words, we're still paying this 7 percent PST plus 5 percent GST for 12 percent.

We acknowledge that under the HST, 20 percent of consumer spending now includes the 7 percent additional PST that used to just have the 5 percent GST. So, there is that additional cost and we want to be upfront about that. Now we would argue of course that we think that additional revenues that are derived from that help us as a government to balance our budget – in increased spending in health and education and some social services people care about. But we also believe that ultimately it is good for the economy because it helps to create a more competitive business climate so that we can have businesses with our growing, hiring people and beating our competitors whether it's other provinces, US states, or around the world.

So, in a nutshell, tonight, it's about listening, it's about hearing your concerns or your suggestions on how we can improve it and I'm really looking forward to getting a whole bunch more questions.

**Moderator:** Thanks Minister. And we're going to be looking forward to go into more questions as well. Again, if you would like to ask a question, just please press star three on your keypad. We're just going to take a moment right now to ask our first of two feedback questions to get your thoughts on the HST.

So, I'll be asking for your preferred answer by pressing a number on your keypad. Please listen carefully to the options. I will read the question and the answers twice.

So, here is the first question: Government's HST revenues increase faster than PST revenues would have because the tax base for HST is broader. If you could only pick one way to use any additional HST revenue, which of these would you choose? There are three options. Increase spending on health care and education, press 2. Reduce British Columbian's tax burden, press 3. Provide additional support to families with children, press 4.

Let me read the question and answer options again. Government's HST revenues increased faster than PST revenues would have because the tax base for HST is broader. If you could only pick one way to use any additional HST revenue, which of these would you choose? There are three options. Increase spending on health care and education, press 2. Reduce British Columbian's tax burden, press 3. Provide additional support to families with children, press 4.

Let's move on now and take a question from our audience again. [Caller] has a question about mitigating the impact of the... [Caller], are you there?

**Caller:** Hello.

**Moderator:** Hello, [Caller]. Are you there? We think we're having problems.

**Caller:** Hello.

**Moderator:** Hello. Oh, there he is. Go ahead [caller]. Hi, [caller]. Do you have a question? Oh, I'm afraid we lost him as well. We'll go over to [caller] and he has a question about bicycles and fitness in the HST. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Great.

**Caller:** Hello.

**Moderator:** Yes. Please ask the question.

**Caller:** Okay. The question I have is on government stressing importance on health and fitness. But with the HST on the prices for, you know, fitness, bicycles, fitness clubs, fitness equipment have gone up. And what are you prepared to do about that? And also, I agree with the HST, of course, the way was introduced but I mean that's another story. But that is my basic question and, oh, what happened to the 30,000 employees that were dealing with PST? Thank you.

**Hon. Kevin Falcon:** Thank you [caller]. So, I'll start with the last point first. We had just over 300 employees that used to manage the provincial sales tax. Most of those employees have moved over to the federal government to help administer the HST federally. So, that alleviates just over \$30 million a year in cost for the BC government – which I really like, by the way, as a Finance Minister I have to say.

With respect to your first point about fitness and bicycles, look, you're absolutely right. I mean this is one of those sorts of pros and cons about the HST. On the pro side, I was a Health Minister. I'm thrilled that it frankly applies to junk food and I don't have a problem with it applying to, you know, fast food and things like that, to be perfectly honest. Because I use to hear from groups all the time that that is the kind of thing that actually will help people make healthier choices. But I was also quite correctly criticized for the fact that it applies to gym memberships and when you buy a bicycle, etc. And that's the trade off when you harmonize a tax because what you're doing is saying the PST is now harmonized with the GST. So, whatever the GST applied to, so does the PST. And that means, you know, for the most part it's fine but – and as I say an 80 percent of consumer spending it doesn't change anything – but on that 20 percent it does pick up gym memberships, for example, and bicycles.

So, what I'll take from your commentary is what I've heard before, which is, “Government why don't you look at a way to rebate some of that back that impacts things like, you know, that encourage fitness whether it's, you know, kids involved in sport activities, they're outside of government delivery systems?” Because, if their government delivered, they're HST exempt. But, you know, private karate classes, et cetera, that may have HST or, you know, buying a bicycle which now has that provincial portion of PST on top of the GST. Those are things that we'll look at to see whether we can – that maybe one way of ameliorating the impact. Thank you for that suggestion.

**Moderator:** Thanks, Minister. We have a question from [caller] about plans for the HST in the next year or two. [Caller], are you there?

**Caller:** Yes, hi.

**Moderator:** Hello.

**Caller:** How are you?

**Moderator:** Hi, [caller]. Please ask your question.

**Caller:** Yeah. I have two quick questions. First, I'd like to, like you said, like I was wondering if you plan to bring down the HST in next year or so? And secondly, my question would be, like you said, like perhaps were introduced in other European countries, but as far as I know those have been included already in the price so it's not added on top of the sale price. So, are you planning to introduce something like that over here?

**Hon. Kevin Falcon:** Sure. It's very good question actually. So, the second the point first. So, what [caller] is saying is that in Europe, although they do have value added taxes and frankly they're much higher for the most part than our HST is in fact, the HST rate of 12 percent, British Columbia is the lowest in the country. Ontario, for example, is 13. In Europe, it's much higher. Now they have included in the pricing, you're right. And frankly from a government point of view, governments love that because nobody actually sees it and I can tell you selfishly, wouldn't it'd be nice if HST wasn't seen by anyone? But, you know, truthfully, we can't do that because I think rightly it's always been in the position of the federal government when they introduced GST in the first place that it should be visible. And it should be visible

because everyone should see it, see what it applies to and then it makes it frankly tougher for government to increase the rate without really being held accountable. So, that's the main reason why that can't, and we can't, unilaterally change that in BC by the way under the agreement with the federal government. So, that is a federally driven policy and I have to say even though selfishly it might help us a bit if it was hidden, I do think that's the right policy.

In terms of the rate as reducing the rate, a 1 percent reduction in the HST cost us about \$850 million in revenue provincially. So, that is an option I've made a note of your comment. But we just, you know, again, we have to – all of these decisions we have to think about in terms of the impacts that they have on, you know, getting us to a balanced budget in supporting important social programs. But I'll take that comment of yours as one of the suggestions in terms of looking at dropping the rate, so thank you.

**Moderator:** Thank you. Our next question is from [caller] and I hope I'm pronouncing that name correctly. [Caller] has a question relating to the restaurant and hospitality industry. [Caller], are you there?

**Caller:** Yes, I am. Thank you.

**Moderator:** All right. Speak up.

**Caller:** Yeah, I heard you. I heard you acknowledge that the restaurant and hospitality industry are hit harder now because they weren't included in the PST. And I have two questions. Why do we have to hit our tourism industry harder? It is an important industry for British Columbia. And if I'm not mistaken, I'm pretty sure I heard Adrian Dix once again that you're stating that instead of scrapping HST, we could maybe make some exemption like for the restaurant industry.

**Hon. Kevin Falcon:** Well, thank you very much for that question [caller]. I think if you think about the great countries of the world, you know, nobody is avoiding Europe, for example London, Paris and other centers around the world that have value added taxes. And I do understand that there's an impact on the restaurant industry. But I have to be honest and tell you that I think some of the – some of the response is a little shrill in terms of saying, you know, the world is coming to an end. It is important to note that when it was introduced in July 2010, if you look at the Stats Canada data, it shows that from June 2010 to January 2011, it's over that 6-month period that overall industry sales in the restaurant sector increased by 3 percent in both BC and all of Canada.

So, that doesn't mean that there are not some impacts, but frankly I think our, you know, increased enforcement of the .05 drinking laws had far more impact, according to all the restaurateurs that I talked to, than has had the HST. But it does have some impact. But, you know, it depends. Remember, when we go to an HST, businesses do have more money to increase investment and operations to hire more employees. They can pass some of the savings that they're not paying any more in terms of their heating, lighting, all other equipment costs, et cetera, that they no longer have to pay PST on. They can pass some of those savings along in the form of lower prices. In the restaurant sector, I get it if they're not making any investment in those kinds of things, there is that additional cost, that additional 7

percent that now applies. But I don't believe that the impact is as great as they suggested it would be, particularly if you look at the Stats Can data.

**Moderator:** Great, thanks Minister. Now we will go to [caller]. And [Caller] has a question about the deficit. [Caller], are you there?

**Caller:** Yes I am.

**Moderator:** Please ask your question,

**Caller:** Yeah, I like to – as a Minister wasn't the – or GST for, to pay off our deficit, but then you guys decided, or the government decided to put it all in one pot? And that's why our deficit is higher than it's ever been since the GST started? Hello?

**Hon. Kevin Falcon:** Well, thanks [caller]. So, the GST of course is the federal tax and ironically, when the GST was first introduced, you will recall how extraordinarily unpopular that was. And it was also replacing a manufacturing sales tax, which is exactly like the PST, and it was a big problem for the competitiveness of our business sector. So when the federal government moved to the GST, you'll recall there was a very significant hue and cry. You don't hear that too much anymore today, in fact the federal government has actually reduced the rate from 7 to 5 percent. And you know, some people have argued they shouldn't have done that because they have less revenues now as a result, to the others who say thank you for doing that. And you know, it reduces the cost on consumers.

I'll let you decide what the right public policy is there. But I do think that there's almost nobody now that would argue that we should go back to the manufacturing sales tax. The GST is far, far more sensible and again as I say, it replicates what 140 countries around the world do. And what we are talking about doing is taking a PST that was introduced in 1949 and saying let's harmonize that with the GST like 140 other countries are doing around the world, and that on balance not everyone is a winner, but on balance strengthens our economy much more as the independent panel reports.

There's, you know, anywhere from 24,000 new jobs to 100,000 depending on which report you want to read but there are additional jobs created that generate additional revenues that help us balance budgets and support programs people care about.

**Moderator:** Thank you, Minister. We have [caller] on the line who has a question relating to the rebate for the low income or at risk British Columbians. [Caller] are you there?

**Caller:** I'm here.

**Moderator:** Please ask your question, [caller]?

**Caller:** Okay, I just want to know why the tax was implemented in the first place when you're paying a portion of the tax to families, for example, where low income has a quarterly rebate. Is this not already allotted for in their personal income tax somehow when they declare that on an annual basis?

**Hon. Kevin Falcon:** Thank you, [caller]. So, under the PST, we did have a rebate, also, and I mentioned this a little bit earlier but many people are joining the call throughout the call. So I don't mind going over it again. It's important. Under the PST, if you were up to 18,750 in family income, you're entitled to a \$75 rebate for adults only, nothing for kids. Under the HST, the rebates are much more generous and we did that because we wanted to make sure that low income or lower income British Columbians were trying ameliorate the impact that additional cost of the HST that might be imposed on them.

We want to try and ameliorate that. So, for example, we now have a credit of \$230 per person that includes, you know, parents, and includes kids – everyone in the family. So, for example, if there's say a single mom with three kids, that single mom with three kids gets \$230 for each of them. That's \$920 dollars a year to help counter whatever additional costs she may have with respect to the HST. And if we go back to the PST system, that \$920 disappears and she, I think, I hope, mentioned and in the beginning of her income would be \$25,000 a year. If we go back to the PST, she gets zero because of course, the PST rebate only applies up to \$18,750, so we did that because we're trying to first of all respect the fact that we know, that going to HST, has some additional cost for most British Columbians, but not all. And we're trying to ameliorate that impact by having an HST rebate which applies to 1.1 million British Columbians.

**Moderator:** Thanks, Minister. We'll go now to [caller], who has a question relating to vitamins, minerals and food. [Caller] are you there?

**Caller:** Yes, I am.

**Moderator:** Please ask your question.

**Caller:** Yes, I'm asking you to consider removing the 7 percent now being charged on vitamins – on food supplements, that is, vitamins, minerals, and herbal supplements, because they're part of my food budget. And I have a second part if you don't mind, Minister. Using the federal tax return figure for income isn't fair. I'm 74 years old and I pay rent on my apartment using interest from income, so my income looks way higher than for those people who owned their own homes whose actual income may be more than my income after rent, if that makes any sense. So, my HST rebate is very low, and I just did do a figuring here. My income is about \$35,000 dollars a year. So, way above. And by the time I paid my rent, that figure is down to less than \$25,000. That's all. Thank you.

**Hon. Kevin Falcon:** Okay, [caller], and thank you very much. And so to your first point. Prescription drugs of course are exempted. I want to make that very clear. It's only the drugs that your doctor prescribes that do not attract any HST at all, but you're right to point out that, you know, vitamins or herbs or any others who have non-prescription drugs do have the HST attached to them. So I have made a note of your comment, [caller], if that's the recommendation I believe you'll be saying please don't make it apply to those things.

Your second point I think is just the general one that, you know, as the moderate income senior, you know, rating \$35,000 a year, you still have some costs. It doesn't really, I want to be clear, it does not apply to rent. Just to make sure we know that. There's no GST or PST or HST that applies to rent, but I



think your point was that it still impacts you and I'll make a note of that. Because part of what we have to be very upfront with the public about is there are additional costs, about \$350 a year for families on average. You know, if they're high income earners, you're probably spending a lot more on restaurant meals and staying in hotels and doing whatever you do. But the fact of the matter is, it averages about \$350 and that's why we're looking for suggestions on how we can try and reduce that impact. And I made a note of your suggestions. So, thank you [caller].

**Moderator:** Thanks, Minister. We are going to go back to some more calls in just a moment. Right now, we'd like to conduct the second of our feedback questions to get your feedback on the HST. So again I'm going to ask for your preferred answer by pressing a number on your keypad. Please listen carefully to the options. I'll read the question and the answer twice.

So, here's the second feedback question for tonight. If British Columbians choose to return to the PST plus GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference which of these would you choose? There are three options. Increase the PST rate, press 2. Raise income taxes and other taxes, press 3. Run larger deficit, press 4.

So let me read the question and the answer options again. If British Columbians choose to return to the PST plus GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose? There are three options. Increase the PST rate, press 2. Raise income taxes and other taxes, press 3 or run larger deficit, press 4. Thanks for taking part in that feedback question.

Next up, [caller] who has a question around cross-border shopping. [Caller], are you there?

**Hon. Kevin Falcon:** Go ahead [caller].

**Caller:** My question is this. I have a family that falls into that category of children that do not fit children's clothing and fitted out clothing. So our clothing budget has gone through the roof. \$350 a year doesn't even begin to cover what our actual cost is. So we've taken to cross-border shopping and I hate it. I really hate not keeping my money in BC to support my economy. But when, I mean, I can't do anything else because our costs are just, you know, too much in BC. So basically now, instead of taking our, you know, once to every three month kind of holiday where we would do it within BC going to Saltspring Island, going to Kamloops and Kelowna, we're going across the border and spending our money there. Our dining out budget is there. Our shopping for kids clothing is there. How can I keep my money in BC? You know, what are you going to do for me? My income is not \$50,000 or less.

**Hon. Kevin Falcon:** No. Very firm question.

**Caller:** For months and money...

**Hon. Kevin Falcon:** And so the recommendation [caller] would certainly be making to me is, look Minister, you need to look at children that aren't eligible for the exemption because they are not child sized and the exemption applied to children's clothing. Some kids are larger and therefore, they will

have to pay that additional 7 percent that is now part of the harmonized tax. So I acknowledge that a friend of mine noted that that's your recommendation.

I do think we had a question about cross-border shopping earlier, you know, retail. And you know, I have to go across the border to get better value and I did point out that for retailers, you know, there has been very little or no change, the 5% GST and the 7% PST applied to originally all their goods, and how it's still 12% under the HST. And it's important to remember if you drive south of the border, and I live in the border community in Surrey. So people driving across, Washington State has a 9 percent sales tax, and actually it applies to a lot more goods and services, including restaurant meals, than does our old PST. So, you don't escape entirely when you go south of the border, but I get your point and so I've made a note of that.

How can we provide exemptions? The final thing I'll say about that though I think it's important to point out under the PST you will recall that we used to have the situation where you went into a store and you can be exempt from PST but you had to sign that piece of paper, you remember that and this used to be the biggest administrative nightmare for small business and for government because they had to keep track of all that. And we would have retailers come say, well the retailer across the way there, they're just accounting everyone. They're cheating, you should audit them, then you have to go and audit them. They have to show all their papers, and it's enormously administratively burdensome. And so that's why the harmonization is a lot simpler in one regard. But I totally respect that for adult sized kids, no questions, parents paying more: I've made note of that. Thank you.

**Moderator:** Our next question from [caller] regarding what happens to the HST is that (??) and she has a question relating to that. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Yes, please go ahead.

**Caller:** Thank you Minister. My question is this: what is the cost of going back to the PST/HST from the HST? How soon will it be practical for the province to return if it is mandated by the general public?

**Hon. Kevin Falcon:** Well, thank you [caller]. So if the HST is turned down... and I really encourage you folks, if you get a moment, to go online at [www.hstnbc.ca](http://www.hstnbc.ca) - there are a couple of things you'll find there. One is there's an online survey that you can provide some input on how you think we can improve the HST and provide some feedback on this call. And the second thing is you'll find an independent panel report that was issued just today. And the independent panel spoke exactly to this issue that you just mentioned, [caller], which is, what is the cost of going back from HST to a GST plus PST system?

In a nutshell, here's what they say. We would have to obviously repay the federal government the \$1.6 billion that they provided to the province of BC to help us transition to the HST. So that's the first thing. But more concerning to me, frankly as Finance Minister are the subsequent years; in other words, next year, the year after, the year after that. The HST is a more efficient tax that generates more economic activity which generates more revenues for the province. The panel pointed out that in 2013 we would

lose net, this is after we, you know, take out the rebates and everything else. We would lose net \$531 million in 2014. That increases to \$645 million and that grows every year. Those are net revenue losses that we as a province suffer as a result of going back to the PST and that is a concern for me because I think that impacts our ability to balance the budget, and that impacts our ability to support healthcare services for seniors and others. And healthcare is not shrinking; it's only growing in terms of provincial expenditures.

So those are some of the costs we have to contemplate [caller] as we think about these things. Having said that, it is a perfectly legitimate choice for people to say, you know what, I still want to go back to the PST. All I'm saying is it's not without cost, but we will manage it and it won't be easy but we'll have to manage it and we'll do that. And I want you to know that we'll do that. But I just think we have to have all the facts in front of us so that we understand what those implications are, both good and bad, and that we can make an important decision.

**Moderator:** Thanks, Minister. [Caller] is on the line and has a question around the income tax relating to the HST. [Caller], are you there?

**Caller:** I'm here.

**Moderator:** Great. Please ask your question.

**Caller:** Okay, Minister Falcon. Hey, I've heard a lot of people talk and cover some of the stuff I was concerned about. Now that 20 percent that you're talking about getting hit with the HST that wasn't before. It appears to be the whole process that we are going for is more of a user-pay structure for the whole province, for the working people. And maybe lowering the income tax and leaving the broad tax base might upset that, but those categories in that 20 percent, in the provincial income tax - from all this big money you have might be a good - under at least the income tax form to the people that keep the receipts and stuff then actually applies this, apply for [a] credit. In order, as opposed, and I think that you again, the middle income earner, again, screwed. So I think we need to have some kind of offset in the lower income or whole bunch of potential rebates covering that 20 percent category that we're paying and we work changes for.

**Hon. Kevin Falcon:** Thank you [caller]. Great question, because again one of the failures I think that we have made is we've had no context around the decision we made to harmonize the PST plus GST. And what I mean by that is since I got elected in 2001, we'd actually reduce the provincial income tax rate by 37 percent in British Columbia. We used to have some of the highest income tax rates in North America back in 1990s. We now have the most competitive personal income tax rates in the country, if you're up to \$119,000 in income. And above that, we are only slightly behind Alberta.

It's also important to point out that those who are earning up to almost \$119,000 in income in British Columbia, and other low income folks pay no provincial income tax in British Columbia, and an additional 325,000 British Columbians are now paying no provincial personal income taxes at all. Those are the changes that we have made over the last 10 years. So I say that, because I did get some important context. The same frankly goes for business taxes. We try to start dropping those rates down

to 2 percent. The small business tax rate, for example, we dropped from 4 1/2 percent down to 2 1/2 percent today and we're dropping that down even further in the years ahead.

So we try to have a competitive business tax regime and a personal income tax regime, and HST is another way of ensuring that overall we have the most competitive possible tax system we can have.

**Moderator:** [Caller] is on the line and I think [caller] had a question relating to publicity and publicizing the HST. [Caller] are you there? Hello. Hi, [caller] are you there?

**Hon. Kevin Falcon:** Go ahead, [caller].

**Moderator:** I think we seem to have lost [caller]. We will move to [caller], who has a question on the HST and inflation. [Caller] are you there?

**Caller:** Yes, I am.

**Moderator:** Please ask your question. Hello, ask your question.

**Caller:** Yes, thank you for having me on. I would like to ask if you are aware that the HST for BC idea came from the secret Bilderberg meeting in Spain, which Gordon Campbell attended some time ago.

**Hon. Kevin Falcon:** [Caller], no, because actually it's not true frankly. The Bilderberg is a group of leaders in industry and politics that gather, I think it's annually, around the world. The premier received an invitation to attend that. That is a very, very good social networking opportunity to promote, frankly, the fact that BC has the most competitive business tax regime in North America and some of the lowest personal income tax rates in the country of Canada. And, but certainly that was not where the HST came from, with the greatest respect.

The HST, again, you know, the Atlantic Provinces have already harmonized tax to HST. They did that in the 90s. Ontario was moving and when the largest economy in the country, Ontario, is harmonizing out of their inefficient sales tax into a harmonized sales tax, I can tell you in British Columbia we have to pay attention. Because our businesses compete directly with Ontario in particular and if they move in to a much more competitive tax regime and we just sit in the sidelines, which has real impact.

Now, I'm happy to accept that legitimate, honest people can have an honest debate about whether it's a good or a bad change, and I'm okay with that. But I really believe that, on balance, it is absolutely the right public policy for British Columbia. Even though I absolutely point out that for the average family they do end up paying more, about \$350 a year more by the way. But the reason we're having this conversation, this listening exercise, is we're looking to see how we can improve it and ameliorate or reduce that impact, and that's what we're open to hearing.

**Moderator:** Thanks, Minister. We have [caller] on the line. And [caller] had the question about manufacturing and the HST. [Caller], are you there?

**Caller:** Yeah, thanks, Minister Falcon. I'm not a big fan of the PST myself in particular. I know that most manufacturing industries really don't like it because, you know – as somebody was talking about how

you pay the tax on a bottle of wine and that guy pays the taxes on the bottles and on the grapes and on the paper. And you know that paper is manufactured, they paid fifty on the logs and, you know, when they log it, they paid PST on gasoline and the oil for the trucks and the trucks themselves. So you know, you get this stack of taxes.

So I can see why any manufacturing economy would hate a PST and would prefer a GST where everything is taxed exactly once. My question is... you look at it from the point of view of our economy. We're not a manufacturing economy and I'm wondering how much it's going to benefit us. And on the flipside, if you're looking to improve it, it seems to me the number one thing that would sell me on it is let's never borrow money. So, what are your thoughts Minister?

**Hon. Kevin Falcon:** Well, thank you. And look, those are all really good comments, you know, and there are a couple of things I would say.

First of all, you're absolutely right. The logging is a really good example because of course under PST our logging industry pays on the supplies and all their trucks or equipment. It is extremely punishing in terms of their ability to compete with competitors around the world. So, there's a significant benefit to a lot of sectors, construction industry, the logging industry the mining industry which are still important parts of our economy. But you're also right in pointing out that we are increasingly moving to a service economy, and again, I believe it's a very strong argument why you want a harmonized sales tax as supposed to the provincial sales tax.

The PST when it was introduced in 1949, you know, made some sense. We were largely a manufacturing economy. But today, we are increasingly selling our knowledge and that kind of service sector continues to grow and the HST applies right across the board. So it does generate. It's a more efficient tax. It strips out a lot of cost for small business and big business right across the board. And I think it's there, a lot of people say to me, well, Minister I don't know. Frankly I don't care. I don't care. I don't want big business getting that break or any business getting that break for that matter. That's a legitimate point of view.

But the thing I would argue is that you know we saw what happened when we have a hostile attitude towards business: they can move. Business can go anywhere, they don't have to be in BC and a lot of businesses move with their feet. They'll move. They'll go to a different jurisdiction and one thing I don't want to see BC become have-not province again. That's what happened in the 1990s when the economy was, you know – we chased a lot of business out of the province. BC is now seen as one of the best places to start and open a business. It doesn't mean it's a perfect place but I think the HST helps us become a more efficient economy. It helps us encourage investment. The investment ultimately starts businesses. Those businesses that can expand, hire more people, they spend more. That generates more revenues to government and frankly that helps us support, you know, health care and social services and all the other things that people talk about. Thank you [caller]. It's a really good point.

**Moderator:** Thanks, Minister. [Caller] had the question about keeping tax revenue here in BC. [Caller], are you there?

**Caller:** Yes, I am. Thank you for taking my call. I've actually got a couple of question. First up, I'm curious, how many people are on the line listening to this? Because I find it very fascinating and I appreciate you're taking our phone call. It's very good on you, and my question is – I heard on CFox Radio in Vancouver that 41 percent of our income is going towards taxes right now. We pay more in tax than we do for food, clothing, and shelter combined. You talked about the rebates that 1.1 million British Columbians are getting. However the average family in BC is going to be paying \$350 more in HST because of this new tax. On top of that is the carbon tax which goes to the general revenue. We're literally taxed (??). Is all this money going to (??). How can we keep it here in British Columbia to pay down our deficit and not theirs?

**Hon. Kevin Falcon:** Sure, so couple of things [caller]. First of all, with respect of the carbon tax; you know, every dollar we get in the carbon tax goes right back out the door to personal income tax reduction and business tax reduction. That was the commitment and ironically we're actually losing to the tune of about \$760 million over the last two years, if memory serves me correct. But my point is we're actually you know, we estimated wrong, frankly. We're giving more back to the public than we're actually generating in carbon tax revenue. So I just have to make that point but I think your overall point is a really, really important one.

I would really encourage you – our budget 2011 if you go online or actually, I'll do that [caller]. If you e-mail me at hstinbc.ca, mail me and ask me for and I'm going to send you the back of our budget 2011 appendix A3. It actually shows a summary of how British Columbia ranks in different income spheres. So everything from the sort of senior earning \$30,000, to a family of four earning \$60,000, to you know, a family earning \$90,000 – all the different income levels. And it compares us with the other provinces and that includes not just income taxes but it includes HST premiums. It includes carbon taxes. It includes, you know, fuel taxes, everything. And it loads it all in and says where British Columbians rank compared to the other provinces. And what you will see is that we are second from the bottom. Alberta slightly edges us out, but that kind of depends on what income band you're in. But British Columbians are actually second near the bottom, and I think it's important to point out.

As I said earlier, since I got elected in 2001 we dropped personal income taxes by 37 percent. We got 325,000 more British Columbians who pay no provincial tax whatsoever. If you're up to almost \$19,000 you paid zero provincial income tax in British Columbia, and we tried to move to where we have a more competitive regime. That's why the HST is frustrating frankly for me a little bit because people feel you're hammering us with this taxes and everyone forgets some of the other changes. But I want to be upfront about the fact that yes, it has additional cost. It's about an average of \$350 for the average family, about \$350 more under HST, but that's where we're listening tonight. We're trying to look at ways we can improve it and reduce or eliminate that impact on families.

**Moderator:** Great. Thanks, Minister. We had another call now from [caller] who has a question about the HST as it relates to seniors. [Caller] are you there?

**Caller:** Yup.

**Moderator:** Yes, please go ahead.



**Caller:** Yeah, my question is actually in regards to seniors like myself. If we received a rebate of about \$230 and yet the average increase is about \$350, how does that seem fair? Someone else was saying that she hasn't seen any prices go down from corporations passing on that savings. But I realize prices are affected by a lot more complex economic issues. But a senior like myself on a fixed income, we are still worse off. How can you justify that? How do you propose to help people in my situation?

**Hon. Kevin Falcon:** Thank you, and that's really an important question. So the \$350 I mentioned is for an average family: the additional cost is going to be an average of \$350, but it depends like for high income earners, they're going to be paying a lot more. For a low income senior like yourself earning, I think you said, \$20,000 dollars, you're probably not spending quite as much. It totally depends on what you spend.

So, the reason we came out with that rebate was to try and enumerate that impact. So, you know, I don't know exactly what you're spending your dollars on, but we do know that for 80 percent of consumer spending there's effectively no change. But we do recognize that for some things, for example, when you get a haircut, yes, you will be paying an additional 7 percent on top of the GST of 5 percent that used to pay. I don't know if you dine out very often but if you do, yes, you will be paying an additional 7 percent on top of the 5 percent GST. Now, that's why, you know, we provide the rebate.

To give you an idea, for every hundred dollars in rebates we provide, you have to spend about, I believe, as memory serves me correct, about \$1300 of spending. So \$230 covers a pretty significant amount of additional spending. I don't know your case, you may still pay some additional, and that's very possible, but I think the key thing I want folks to remember is that we have an aging population in British Columbia. Our health care budget has doubled since I got elected in 2001, when we were spending just over \$8 billion; we're now spending \$16 billion. It consumes about 43 percent of our total budget and we have to think about the future. Because with an aging population, we're going to be using a lot more health services and we better make sure we have a tax system that generates the kind of revenues that we need that grows the economy, that creates more jobs that will generate more revenue for government so that we can afford to spend more and support our seniors, and support those that need health care and increased education spending, etc.

It's always a difficult balance but I made a note [caller] of your comment because I think at the end of the day you're saying, can you really do more to alleviate or look at the impact on the seniors and see whether you can make sure you'll alleviate that? And I've made note of that. Thank you.

**Moderator:** Minister we are moving into the final 10 minutes of this call. An earlier caller asked how many people we have in on the line tonight, and we have a total of 38,000 participants on this call.

We're going to take two more questions but please remember to stay on the line until the end and you will have a chance to leave your comments in a recorded message. Another thing to leave you with, don't hesitate to visit our website where you can fill in a survey questionnaire, and that's at [www.hstinbc.com](http://www.hstinbc.com). So we'll go to our next caller [caller]. You have a question about a competitive economy in the HST. [Caller] are you there?

**Caller:** Yes, I am. Thank you.



**Moderator:** Please go ahead.

**Caller:** All right. A couple of comments. I've taken notes over the course of the hour. I've been on the phone tonight. You are talking about the balanced budget law. And that was not our choice that was yours. The HST - as part of the election platform - was not addressed prior to the election. Now, the idea that I have is if you were to lower the HST to 10 percent, you'll probably have more, shall we say, agreement to it. But my question is how are we more competitive if we have more tax and with the \$1.6 million grant – what's in it for them?

**Hon. Kevin Falcon:** Sure, thank you. Those are all really good points. So the \$1.6 billion that was provided by the federal government, what's in it for the federal government? The federal government, not just this one, but previous federal governments have been trying to get the provinces to harmonize since the GST was brought in. And as I see, most of the country now has harmonized. Ontario is the most significant.

The reason is very simple. A harmonized sales tax is much more efficient for the economy and for encouraging investment and jobs. The reason is that it strips out a lot of inefficient cost that was imposed on business that makes it more difficult for our small businesses or big businesses to compete against other provinces, US states, and others around the world. In a nutshell, that's why they do it. There's a reason why 140 countries around the world have harmonized sales taxes or they sometime called them value added taxes, it's the same thing. And there's a reason why nobody has gone down the path of introducing the kind of sales tax we had with the PST, they haven't done that anywhere in the world in 35 years. And as I mentioned earlier in the call, Barbados was the last place that introduced the PST-like tax and that was in 1975, and they got rid of it a year later. So that's the main reason.

Your point about the balanced budget law – and we introduced it, that's very true. We as a government introduced that law right after I get elected in 2001 – because we just came out of the decade in the 1990s where we had 8 out of 10 years which had deficit budgets. And that's just essentially spending money on programs today and sending the bills to our kids to pay tomorrow, and that's not right. So we put in balanced budget legislation that says the government has to live within its means. And when we don't or when we had the international economic meltdown and we were pushed into a deficit, all cabinet ministers including myself took an immediate 10 percent pay cut because that was part of the discipline around balanced budget legislation, and we don't get that 10 percent pay cut back until we get back to balance. We jokingly called it the spousal accountability act.

So look [caller], dropping it down to 10 percent – I made a note to that. I think you have to note that for each percentage point reduction in HST, which means about \$850 million of less revenue to the province. And so we just have to keep that in mind, not just in the sense of balancing the books but also in terms of wanting to fund health care, education, etc. I'm not saying it's not something we couldn't do. We clearly can do it but we have to manage that within a physical framework. So I made a note of that. It's a good suggestion and I appreciate your call.

**Moderator:** Now go to [caller] who has the question about the HST and the underground economy. [Caller] are you there?

**Caller:** Yes, I am.

**Moderator:** Yes, please ask your question.

**Caller:** First, Minister, I just want to compliment you on the meeting today. This is very informative. I have been a contractor in Vancouver for the last 20 years in an industry where it's very labour intensive, so effectively the 7 percent increase is going to the HST has been passed on to my consumer almost fully. With that said, we have found that so many of our consumers have move into a cash system or underground economy, and it really has affected the honest businessmen like myself who have probably lost hundreds or thousands of dollars over the last year in revenue, and it is sort of rewarding the guy who is willing to do cash business. I'm just wondering, if you look into the effects of that and the government cutters in terms of reducing the HST 1 percent, equalling \$850 million, how much more revenue would be generated if this economy has been created?

**Hon. Kevin Falcon:** Fair enough and that is an entirely legitimate point and there's some truth to it. I don't want to deny that. The fact is that there will be some folks that will try and take advantage of moving to the underground economy and not declaring, or trying to pay in cash, to get around it. And they commend you for trying to be an honest person out there in an environment that frankly, even before HST, there was a lot of going around Revenue Canada.

Look, I can tell you that the CRA or Revenue Canada and provincial officials work together all the time to get that kind of feedback and makes sure that they're focusing attention on areas where there is the greatest likelihood of that taking place. And I don't want to pretend that HST has made it better. It has not. There will be some additional impact there. I can't honestly quantify it for you but it's one of the reasons why we're doing this listening exercise and I've made a note of that, and it's why we want to try and look at fixes or improvements to the HST that will help minimize that kind of activity. I thank you for that call.

**Moderator:** Thanks, Minister. Reminder at the end of this call, you will have a chance to leave your comments in a recorded message. Minister, I'd like to ask you to say a few words of summary before we say good night.

**Hon. Kevin Falcon:** Okay. Well, thank you very much. I'd really appreciated this. The fact that we had over 38,000 participants on this call has been great. It follows up on one I did in Surrey when we had almost 30,000 people. This is just an exceptional way for us to get some feedback from the public and I really appreciate you folks taking whatever amount of time you have taken to listen and to provide some questions.

I do want to emphasize that you can go online if you didn't get a chance to ask me the question, or if you want to provide some feedback or take the survey that will help inform us on how we can improve the HST, to please go to the website [www.hstnbc.ca](http://www.hstnbc.ca) because that information will really, really be helpful.

And again, I just want to conclude by saying I'm really humbled by the attendance. I appreciate the input very much. And it's been informative for me and I look forward to trying on behalf and with my

colleagues and our Premier Christy Clark to try and get it right, to try and make changes to improve the HST and make it acceptable as possible to the majority of the population. Thank you so very much.

**Moderator:** Thank you, Minister. And thank you again to everyone who participated on this call. Just a reminder, if you stay on the line you will be able to leave a recorded message with your thoughts on the HST. Now, I'd like to formally close this town hall. Good night.

## NORTHERN INTERIOR / NORTH COAST TELEPHONE TOWN HALL SUMMARY

Date: May 4, 2011

Host: Minister of Jobs, Tourism and Innovation, the Honourable Pat Bell

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
128,452	35,294	23,539	19	67%	220	29

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the fifth of eleven regional town halls conducted by Government with British Columbians.

Minister Bell responded to 29 questions and/or comments during this call. Issues that arose from citizens of the northern interior and north coast included the following:

- Confusion over what items/services have, or don't have HST, such as electricity, gasoline, home fuel, groceries, residential real estate, labour services;
- Difficulties with HST for people on fixed income or disabled;
- Requests for exemptions for items such as bicycles, family sports/gym memberships; chiropractic, energy-efficient products; restaurant meals;
- Concern over the amount of money it will cost to go back to the GST and PST; interest in how government will make up the shortfall in revenue from the HST; desire to see what difference the HST has made so far;
- Reducing the HST to 5% or 6% rather than 7%.

**May 4, 2011 Transcript: Interior and North Coast Telephone Town Hall**

**Moderator:** Hello. And thank you for joining tonight's HST town call with Jobs, Tourism and Investment Minister, the Honourable Pat Bell. My name is Sarah, and I'll be your moderator for this call.

Before we begin, I'd like to review how this call will operate. The Minister will begin with some short comments and then we'll proceed to live question and answers. If you want to ask a question, press star 3 on your keypad at any time. Please note that this call is being recorded and will be transcribed. If you don't want your comments to be transcribed, please remain in listening mode. So that we can hear as many question as possible, we ask that you keep your question short and to the point. When you press star 3, an operator will ask you a few questions, including your first name. You'll then be put in a queue to ask your question.

We want to hear a wide variety of questions. The operator will try to reduce duplication. When you hear me announce your name, your line will open and you can ask the minister your question. After you've asked your question, you'll be muted for the minister to respond, and you'll be returned to the listening mode. To ensure that the Minister hears as many views as possible, we won't have time for additional question. Please use appropriate language. Anyone using profane or expletive language will be cut off.

Later on the call, you'll be able to provide your feedback on the HST by answering a couple of multiple choice questions. This is not a scientific poll, but it is an opportunity for the government to hear your opinion on some key questions about the HST. Thank you for your patience. We may not get to everybody who has a question tonight, but there will be an opportunity at the end of the call to leave your comments in a recorded message. Again, press star 3 on your keypad at any time to ask a question.

I'd now like to turn this call over to the Honourable Pat Bell for his opening comments. Minister, please go ahead.

**Hon. Pat Bell:** Well, thanks very much, Sarah. And welcome everyone to this telephone town hall. I'm glad you could join us here tonight. I know we have people ranging all the way from Kamloops and down in Lillooet up to Prince Rupert to Terrace, all the way through to Prince George, McBride, Mackenzie through to Kamloops. So I'm very, very pleased to have everyone on. We are joined tonight on the line by my colleagues Kevin Krueger, John Rustad and Terry Lake and here in my office in Victoria by Shirley Bond.

I'd like to start out just by walking you through a few quick comments. I'm going to, I want to get to questions as quickly as I can, so we can get as many questions done as possible. The objective here this evening is to hear from you on how we might be able to improve the HST. As you know, when Premier Clark was first elected as the leader of our party, as the premier of the province in March, she acted on her commitment to move up the HST referendum date from September to June. And we do have some critical dates to pay attention to coming up over the next couple of months. So we wanted to engage quickly with British Columbians to talk to them about the tax issue and how we can improve upon that. Frankly, we absolutely understand, we did a poor job of rolling out the HST. People were concerned. Shirley, I, Kevin, John, Terry all heard that from many of our constituents. And although we tried to get

to as many people as possible over the last year, we know we can't get everyone. And that's why we've decided to pursue this option with the telephone town halls. The referendum is right around the corner. So it's absolutely critical that we make sure that everyone has the facts. And however you choose to vote, our goal is only to make sure that you have all of the information that you need in order to make a good decision. And the good decision for you, whether we stay with the HST or whether we return to the old system of having a PST and GST, the old two-tax system. So we want to be absolutely straight up with you this evening. This is not a sales pitch. There is no motivation to steer you in one direction or another. I simply want to provide all of the information to you. In addition to tonight's call, there are three additional sources of information that are available to you. The first one is a website. I mentioned this a few times tonight. It's [www.hstinbc.ca](http://www.hstinbc.ca). It has a really good question and answer section, as well as an input section that you can put in your own personal information, and get a better sense of the impact on you and your family. The second is, after the May 24th long weekend, there's going to be a series of public dialogues on HST around the province, hosted by different universities and colleges. We believed that was the fairest venue to offer that sort of information. And we felt that as third party institutions, they'd be able to provide you good credible information. In addition there will be a voters' guide coming out to every household in British Columbia in early June, along with the summary of an independent panel report on HST that I'm going to refer to herein, in just a second. Today in fact, there was a new report released. It is an independent panel report on the HST, and it was authored by four individuals: Jim Dinning, who was previously the Finance Minister in Alberta; George Morfitt, who has a long, long career as a Chief Financial Officer and he also served two terms as the Auditor General in British Columbia; Tracy Redies, who is the CEO of Coast Capital Savings, which is Canada's third largest credit union outside of Quebec; and then John Richards, who is professor in the School of Public Policy at Simon Fraser University and trained as an economist.

I want to point out here the last three paragraphs of the summary of the report, because I think it's particularly important. It says the process of preparing this report had shown us that the debate over the HST and PST/GST remains filled with factually incorrect information. We believed that better information, including the good and the bad, about each tax is critical for there to be a successful, informed referendum, no matter the result. Citizens usually leave tax policy questions to the provincial government. During the summer's referendum, British Columbian's will make history. You'll decide the future of the HST. The question before you is, are you in favour of extinguishing the HST, the Harmonized Sales Tax, and re-instating it with the PST, the Provincial Sales Tax, in conjunction with the GST, the Goods and Services Tax? And that would be a yes or no answer. They close their comments by saying, "our job is not to tell you how to vote. It is to look at the facts and offer our best analysis. Now, it's your decision." And with that Sarah, I would like to open up the lines, because tonight is about hearing from you and hearing how we can make sure that we provide you the best information that you need to make your decision.

**Moderator:** Thank you, Minister. Let's remind everyone that if you want to ask a question, please press star 3 on you keypad at any time. Minister, it's going to take a few minutes to get everybody on to the call. We're dialling a number of households tonight. So while people get ready to ask you a question, let me start off by asking you one I think a number of them will be asking themselves. Why does the

province choose to hold the HST referendum using a mail-in ballot? And when can people expect to receive their ballots?

**Hon. Pat Bell:** Well, thanks Sarah for that. And those are pretty good questions; so I appreciate easy ones to start out. The key purpose for us was really two fold. One was to make sure that everyone could get engaged in this ballot process. If you have a single day when there is a referendum, often times people are busy. We all live busy, busy lives. We're unable to get to the poll. It's unclear where the polls are. And not everyone is able to participate in the referendum process. A mail-in referendum allows everyone to get involved. The other big issue is it's an \$18 million difference. If we were to have a regular referendum that required everyone to go out to the polls and establish polls, and do the counting process through the normal electoral process, that's about a \$30 million price tag. The mail-in process is about \$12 million, so it's an \$18 million savings. We think that's absolutely critical.

If you have not received your ballot in the mail by June 24th, you should get on the phone immediately and contact Elections BC. It's in the Blue Pages of your telephone directory. It's also of course available online, to make sure that you get the ballot forms that you are entitled to. The last day for Elections BC to actually, physically receive the ballot is July 22nd. So that means you've got to get it in the mail well before that. So I know I'm going to be getting my ballot in the mail as soon as I receive it. And I'd certainly encourage everyone once you feel you have adequate information on this very, very important issue to do the same. So hopefully that answers the first question, Sarah.

**Moderator:** Minister, thank you for that. We have a call from [caller]. He wants to know how the HST can help the average person if he thinks it's costing them more money. [Caller] are you on the line?

**Caller:** Yes.

**Moderator:** [Caller], please go ahead.

**Caller:** Yes. Yes, that's the question. I want to know how they're supposed to help an average person. I know myself, I'm on fixed income. I'm on a medical income, I cannot work. And you take an extra \$800 or \$900 out of my pension every year, which is monthly. How am I supposed to get by?

**Hon. Pat Bell:** Oh, well [caller]. Thanks so much for the call. I appreciate that. So there's a few things that you may or may not notice. The province actually added money to the GST rebate cheques. Now, I know there's been some confusion over this. Because some of the cheques were direct deposited straight into your account. So people didn't become aware that the amount of money got larger. It's \$230 per person. So in a family of two, it would be \$460. And then, of course, it will get much larger than that for larger families. So that's eligible, typically, for people in your situation, a pensioner on a fixed income. In addition to that, some of the real key opportunities, just providing for the social services that I know you and everyone else in this province is looking to. The HST is an important revenue stream for the government. We absolutely acknowledge that. And the health care cost that we continue to see escalating at an increasing rate. So it's important that the province have that ready source of income, that's it's able to use now to provide those services. So [caller], that's just kind of a couple of the key areas I provide you with some thinking early on.



**Moderator:** Thank you, Minister. We have a question from [caller], who's interested in asking you about taxing – or why the government is taxing house related items, like bicycles and sports equipment. [Caller] are you on the line?

**Caller:** Yes.

**Moderator:** [Caller] please...

**Caller:** Yeah, my question is, why do tax things that do with your health, bicycles, basketballs, things like that. Your heating in your home, your electricity. Now, why are those all charged with the HST? And why isn't it neutral? They say it's neutral, but it isn't.

**Hon. Pat Bell:** Well, thank you much [caller] for that. I appreciate it. And I want to touch on a couple of things. You mentioned home heating fuels. And this is one area where there's been a tremendous amount of confusion. And I absolutely understand why that's the case, because on your bill, on home heating fuel, it actually says the HST. But if you do the math on it, what you'll find is that the HST component is only 5% and not 12%. It used to say GST and it was 5%. And that's the same today. So there is no HST, or the 7% provincial HST is not applicable to any home heating fuels. That also includes, by the way, things like firewood and pellets. You'll have to apply for a credit for that, because we weren't able to deduct those at stores. But electricity, oil, heating oil, natural gas, all of those products are exempt from the provincial portion. In terms of things like bicycles, bicycle helmets, sports equipment, that sort of thing. Some of those things, sport equipment, did have some taxes associated before on them. But something like bicycles in fact didn't and you're quite right to point that out. That's the sort of thing we'd like to hear from you on. And if you think bicycles are a key element – you believe it's important for an exemption – then we want to hear that. We'd like you to make sure that your voice is heard through the various opportunities available to you.

**Moderator:** Thanks, Minister. We have a question from [caller]. She's interested in – if we keep the HST, will you be able to increase the number of exemptions for things like restaurants? [Caller] are you on the line? [Caller] are you there?

**Caller:** Yes.

**Moderator:** Please go ahead.

**Caller:** You just asked my question. If we vote to keep the HST, will you make some adjustments and exempt things that were exempt from the PST before, but are now charged HST on?

**Hon. Pat Bell:** Thanks, [caller]. I appreciate the call tonight. And in fact what you're pointing out is exactly one of the things that we're hoping to hear this evening, what people think is important in terms of the current exemptions and what other sorts of exemptions should apply. Now, I've already made a note here and the notes that I'm taking this evening – that you believe that we should consider restaurant meals as one of the areas of exemption. But there is another opportunity for you, as well, to provide that feedback. Again, it's [www.hstinbc.ca](http://www.hstinbc.ca). And there's a place in that website where you can say, you know what? Generally, I understand that HST, but this part of it really bothers me. We heard from

[caller] a few seconds ago that bicycles are an important area for him. [Caller], for you it's restaurant meals. So it's those sorts of things that we want to hear.

I should explain how we landed on the original exemptions. The federal government gave us the authority to exempt up to 5% of the products by value. We chose to exempt motor vehicle fuels, home heating fuels – because Shirley, and, I, and Kevin, and Terry, and John, all know how important that is to our constituents in Northern British Columbia. So we thought that was a very important one to exempt. It didn't leave us much room. But as we move into 2012, we do have the ability to exempt some of those areas. But the big ones clearly would be the fuel. So I hope that answers your questions [caller].

**Moderator:** Thank you, Minister. We have a question from [caller] right now, how are we going to pay for the reinstatement of the GST and the PST. I'm sorry. How much it's going to cost that to reinstate the PST and GST? [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Yup, I just wanted to know if we do get rid of the HST, how much after it's going to cost, just to re-organize and put all the people back in place to collect the PST and the GST?

**Hon. Pat Bell:** Well, thanks [caller] and I guess some of the quick and simple numbers I can give you. The federal government provided us with \$1.6 billion as a transition fund. We inserted that into our budget over three years. So that \$1.6 billion clearly would have to be paid back to the federal government. That is about \$80 or \$85 million a year in interest cost for the province. So just to give you a bit of a flavour, and of course that's depending on interest rates and we're at very lower rates now. One of the other key costs of this is we would have to rebuild the department that would collect the PST. Our experience says that's about \$35 million, in that range. And then that would be the cost of actually re-assembling the process. Because the other thing frankly that concerns me, as well, is that the duplication cost for small business is enormous. I think in the order of \$150 million per year. And you know that as someone that has been in the small business world for many, many years, the last thing that I wanted was to have was a duplicated system between two levels of government when I was basically providing them similar information. So I've got to tell you, and I'm not sure, it'll probably a \$1.6 billion that translates into \$80 to \$85 million a year in interest costs. Now the \$35 million. So pretty quickly over a \$100 million a year in direct cost.

**Moderator:** Thanks, Minister. I just want to remind everyone that if you want to ask a question, please press star 3 at any time. We're going to go to [caller]. She's got a question about exemptions, Minister. And whether or not it would be possible to exempt food in restaurants. [Caller] are you there to ask your question?

**Caller:** Yes. That was the question. If the HST, if we could just exempt restaurant meals, maybe people wouldn't be so upset?

**Hon. Pat Bell:** Well, thanks [caller]. And you're the second caller, so we're starting to get some direction here. And so are my colleagues Kevin Falcon and Larry Lekstrom. Other calls, other parts of the province tonight. So again, I would just ask you to also go to [www.hstinbc.ca](http://www.hstinbc.ca). And perhaps register your thoughts there as well. But I've got it down in my notes, and why we're here tonight is to listen to all of you and make sure that hopefully we can respond in a positive way. And give you the information that you need prior to actually voting on the HST in June.

**Moderator:** Thank you, Minister. You have a question from [caller]. She's wondering what we can do to ensure that business is passing along HST savings. [Caller], are you there to ask your questions?

**Caller:** Yes, I am. It's [caller] here. I wanted to find out what are you doing as a government to make sure the consumer is receiving the rebate, because what's happening with the HST when you take your vehicle in to get fixed? You're now paying taxes on services with extra percentage that you didn't do before. The same with restaurants. I think that answers the same question as what the other people have been asking. So what I'm looking at, is I want to know, what are you doing as a government to ensure that the businesses are passing on the savings, because they're now collecting that tax. But less than taxes before on services. So realistically could be the service rate be reduced by about 5%, because that's what you're paying more? But right now, I don't see the businesses reducing that rate. What are you as the government doing to ensure that those businesses are going to reduce that rate, so that the consumer at least is not paying extra taxes for those services that we never paid for before?

**Hon. Pat Bell:** Thanks, [caller]. I appreciate it. So that one thing I just wanted to make sure that was clear. You mentioned vehicle repairs, something that didn't used to be taxed under the PST-GST system, but is now. That in fact is incorrect. Vehicle repairs were always taxed by both PST and GST. And now, it's the single HST. So it's 12% before, it continues to be 12% today.

But your point is an absolutely critical one, that is, how you get businesses to flow through with their savings? So that same car dealership that you got your car fixed at, they would have in the past paid PST on what they call shop supplies. So that's rags, and bolts, and nuts, and all that kind of stuff and they no longer pay them. So they don't have that cost built into their system. And they should be flowing that savings through to you as a consumer.

The report that came out today, they did a detailed study of HST implementations in other provinces and what they found was that although it did come back, the reduced cost didn't come back instantaneously. It does come back over a period of a few years and it particularly comes back in the restaurant industry, which is incredibly competitive. I can tell you that from personal experience that the restaurant industry is always out fighting and trying to maintain the best possible value that they can for their customer base and only increase prices when they absolutely have to. So in the case of restaurants, I expect you're already seeing that flowing through. But in terms of the restaurant and the business world, the work that was done by the independent panel tells us they expect within a couple of years you should see our prices back to a level that reflects the savings that occurred as a result to the PST coming off. So I hope that answers your questions. The vehicle repairs one is important.

**Moderator:** Thank you, Minister. We have a question from [caller] who's wondering how going back to the GST will affect the price of groceries. [Caller] are you there?

**Caller:** Yeah, I'm here.

**Moderator:** Hello.

**Caller:** I'm not so much here about groceries, but the price of like – once the medications stuff where we didn't have to pay the PST, or things like children's clothing. There, we didn't have to pay PST and now we have to pay the HST.

**Hon. Pat Bell:** So thanks. Thanks, [caller]. So a couple of pieces of that. So on just for any prescription drugs there is no – there is no HST on it, or just the 7% provincial portion. So if you get a prescription from any pharmacy, there shouldn't be any HST. So that wouldn't change if you went back to the old PST system. There still wouldn't be a tax, and there isn't today. There is some new HST on a few things that you might buy – over the counter type drugs. So if we went back to the old PST system, then you would anticipate the cost would be removed. Other grocery store type products – not much change has occurred. There are a few things. If you went to Save-on or Extra Foods, there would be an HST on that now, because it's similar to a restaurant product. So that's a bit of a change. And if you went back to the old system, then that would be removed. But groceries, there is no HST. If there's confusion on that, sometimes people see HST on the bottom of their bill. What that actually is, is the 5% GST that is charged on some products or could be on the odd item, like a cooked chicken. But make sure you'll always do the math, because you'll find that it doesn't equal the 12%, which I know is what some people expect. But I think if you really do the math, you'll find that there isn't much of a change on your grocery bill at all. And again, if you go to [www.hstinbc.ca](http://www.hstinbc.ca), there is a lot of good information on that website.

**Moderator:** Thank you, Minister. Next question is from [caller]. I think he wants to ask you about whether or not the same exemptions will be in place on PST if we were to go back to it. [Caller] are you there?

**Caller:** Yes, I am.

**Moderator:** Just go ahead.

**Caller:** Yeah, I'm wondering, if the referendum comes out in favour of dropping the HST and we go back to the old way, all of those new items that got exempted from the HST, do those drop off?

**Hon. Pat Bell:** Thanks. Thanks, [caller] for calling. In terms of what a PST system would look like, the old PST system, we're all familiar with. However, we did make changes from time to time on the PST system. So government will have to ensure that it has sufficient revenue to provide the services that the public all needs and demands – whether it's the roads, education, social services, or health care. So if there was a vote to move back to PST system, certainly the finance minister would have to make the decisions accordingly. So we know what the old PST system looked like. But there's no question, as I pointed out to an earlier caller. There would be a substantial revenue shortfall plus an additional cost of, well, over a

\$100 million. Potentially a half billion dollars in short fall of revenues. So if the government would have to find revenue, run a bigger deficit, or cut programs. Those are the choices.

**Moderator:** Thank you, Minister. We have a question from [caller] about the cost of breaking the agreement with the federal government. [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Okay. My question has to do with when the HST was put in place, that we signed the contract with the government – the BC government signed the contract with the Canadian government – and we were given this transitional money. Not everyone knows that we were given transitional money to change from GST and PST to HST. Plus, how much will we have to pay back?

**Hon. Pat Bell:** Well, thanks [caller]. And you're quite right. When we signed the agreement with the federal government, it was a 5-year agreement. And if either party were to – while the province was to break that agreement in that 5-year period – we would be obligated to pay back the transitional money. The transitional money is \$1.6 billion. To put a little bit of perspective on that. The provincial budget is about \$40 billion, \$42 billion. So \$1.6 billion is a lot of money. The interest alone on that kind of money would be something around \$80 or \$85 million. So it's a substantial cost and one that we would all need to carefully consider when we mark our ballots that we receive by June 24th, pardon me, or thereabouts.

**Moderator:** Thanks, Minister. We have a question from [caller] regarding getting a tax from the businesses to individuals. [Caller] are you on the line?

**Caller:** Yup.

**Moderator:** Please go ahead.

**Caller:** When I look at this, I think that you are shifting the tax burden from business to individuals. And I'm wondering if that was the reason that you did that?

**Hon. Pat Bell:** Yes, thanks for the question. [Caller], that is not the reason why we did it, in the spirit of absolutely making sure that all the information is out. The report, that was issued today by the independent panel identifies that consumers in British Columbia will pay about an additional \$1.3 billion annually in tax. Businesses will pay about \$700 million less in tax. I do want to take a few seconds to talk about this, because I think it's really important. As many of you will know, I was previously the forests minister; I'm now the Minister of Jobs, Tourism and Investment. I've seen some of the success that we've had in re-opening our sawmills around the province over the last 24 months, and it has been dramatic. That success that we've had, it has been directly related to a more competitive tax environment. Right now, lumber is selling for about \$250 per thousand board feet. A PST system has a cost associated with that which amounts to a significant component that is added on to that, potentially about 5 or \$7 per thousand board feet in additional costs. In a good market, that's not a problem. In a bad market, it means that sawmills are closed and people are out of work. So the real key is to provide a

competitive marketplace to make sure that our sawmills are working well, that they're as competitive as they possibly can be in our minds. And all those industries create the key jobs that we're so dependent on, in Northern and Central British Columbia. So the reason was not to just place money from tax revenues to businesses. It was to make sure that we have competitive businesses that employ people and make sure we have a strong economy.

**Moderator:** Thanks, Minister. And we go to [caller]. He wants to ask you about the shortfall in government's revenue if you eliminate the HST. [Caller] are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** I'm just wondering, if you eliminate the HST and go back to the PST, there will be a shortfall in the government revenue to keep our schools and hospitals and highway systems, etc., operating. How will you replace that revenue? Or will you have to cut back?

**Hon. Pat Bell:** Thanks, [caller], and you know, you are asking the question that we are asking ourselves right now, as well. Because there is no magic place where we can get money from. The amount of money annually is about half a billion dollars. That actually escalates over time, but it's half a billion dollars per year initially. So you know you really have three choices. You can either increase taxes. You can increase the deficit or you can reduce services. As a cabinet minister, I don't find any those of solutions particularly attractive. It is hard on people when you reduce services. I don't like the idea of adding any more taxes if I don't have to, because we become far less competitive. And I certainly don't like the idea of adding to the deficit in increasing the cost of the debt burden on my kids, and everyone's kids and grandkids. So it's a big problem [caller]. If we decide to go back, it will make for some very, very difficult decisions.

**Moderator:** Thank you, Minister. We're now going to go to our first feedback question to get your input on the HST. I'll be asking you for your preferred answer, by pressing a number on your keypad. Please listen carefully to the options. I'll read the question and the answer twice. Here is the first question. The government HST revenues increase faster than the PST revenues would have, because the tax base with the HST is broader. If you could pick one way to use additional HST revenue, which would you choose? There are 3 options. Increase spending on health care and education, press 2. Reduce British Columbians' tax burden, press 3. Provide additional support to families with children, press 4. Let me re-read the question and answers. The government HST revenues increase faster than the PST revenues would have, because the tax base with the HST is broader. If you could pick one way to use additional HST revenue, which would you choose? Here are there 3 options. Increase spending on health care and education, press 2. Reduce British Columbians' tax burden, press 3. Provide additional support to families with children, press 4. Minister, we have a question from [caller]. He wants to ask you about lowering the rate of the HST to 10%. [Caller] are you there?

**Caller:** Yes.

**Moderator:** Please go ahead.

**Caller:** This is [caller] from Kamloops. My question is this. As an owner of a small business, we will not paying. We were not collecting from the residents for the 7% on real property. But now we are and it has increased to the customer – 7% more in tax. I don't have a problem with the HST. I think it is great for small businesses to save a huge amount of money in handling of the collection of taxes as a small business person. But I would like to have seen the HST lowered to 5% and 5%, not 7%. Secondly, what would really stimulate the economy is, as they do in New Zealand, when a person is quoted a price on goods, that is the price they are to pay. If you bought a hot tub from me and I quoted you \$5,000, that is what you paid – but it includes the HST. Now, I know that BC residents want to see the tax, so that they know they're paying. But I think it would stimulate the economy a lot better if a person got the price of goods and that is what they pay it. Your comments?

**Hon. Pat Bell:** Well thanks, [caller]. So I wanted to talk to you, and Terry is on the line as is Kevin Kruger and my colleague Shirley Bond is in the office here with me. And John Rustad as well.

So you have a really good question. Answer to your first question. For each percent that we reduce the HST from the provincial portion, from 7% to 6% to 5%, the cost is in the range of \$800 to \$850 million of provincial revenues. It does leave a revenue hole, but I think also you could build an argument that it stimulates investment. And you want to go on the things that I made to notice. And again, I encourage you to go [www.hstinbc.ca](http://www.hstinbc.ca) and to register that comment as well. So just keep in mind about \$800 to \$850 million. In terms of the all-in pricing, that is something that I've heard on a number of locations and I personally find it quite attractive as well. My understanding is it would likely require federal government approval. But now that we have a majority government in Ottawa, it certainly would be an interesting discussion to have. But I think it's good advice. The New Zealand policy is a sound one and something that we could certainly think about.

**Moderator:** Thanks, Minister. We have [caller] on the line. And she is wondering about HST and the price on a new home and how that rebate process works. [Caller], do you want to ask your question? Are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Hi. Yes, we're in the process of purchasing a new home. And the HST on that new home will probably be about \$36,000. And I'm not quite sure of the process. But I'm understanding that has to be paid up front, and then a rebate has to be applied for, is that correct? Do I have correct information?

**Hon. Pat Bell:** Thanks, [caller]. I believe the website will have the detail around that information. I think you are essentially correct. But if the timing is done properly with your lawyer, often times, the events can coincide in a way that doesn't require any transitional funding through that process. So I just suggest that you get a little bit of legal advice. You'll need to talk to a lawyer; you'll need a notary anyways for the transfer of property. And also, you could probably get a bit more information on [www.hstinbc.ca](http://www.hstinbc.ca).



But just keep in mind that and I think it sounds like you've already done your homework on this. But any new home that's under \$525,000 – and then, the calling area that we're in this evening, Kamloops up to Prince George, Lillooet, Merritt, out to Terrace, Rupert, to Fort St. James, McKenzie. I hope there's some callers from Mackenzie there on the line, Mackenzie is number 1 in my heart. You know I think most of the homes will not be over \$525,000. Only a few of them. Shirley Bond is just kicking me under the table, reminding me that Valemount and in McBride are important too.

**Moderator:** Minister, thank you for that. We have a question here from [caller] about HST and the business community, how it affects the business community. [Caller] are you there?

**Caller:** Yes.

**Moderator:** Will you go ahead please?

**Caller:** If companies and businesses are saving money, paying less taxes – and you mentioned sawmills – then there should be growth in the economy through increased number of businesses and business operations. Have you been able to measure or estimate that growth and how much increased revenue the government might get from that, because of the HST? Thank you.

**Hon. Pat Bell:** Okay, thanks, [caller]. So early days, we're only 10 months into the HST right now. So it's hard for us to quantify what's occurred in the last 10 months. What I can tell you is that in the last 18 months of the period of time that I was minister of forests, we re-opened a total of 24 sawmills in British Columbia. I cannot begin to attribute all of those to the HST and I don't attribute those strictly to the HST. But the HST does create a more attractive investment climate and I'm sure that some of those mills were able to re-open as a result of that. The report that came out today, indicates an additional \$1.2 billion in additional exports. That's all direct jobs into British Columbia from our mining industry or forest industry, our film industry, and our energy industry. And that would translate into about 24,400 direct jobs. You can get the report if you like at [www.hstinbc.ca](http://www.hstinbc.ca). But to answer it very quickly. We're expecting about \$1.2 billion in additional exports, 24,400 incremental jobs. That's the report that came out today. It's not done by us, it's done by an independent panel.

**Moderator:** Minister, thank you for that. For those who've joined the call while it's been in progress, welcome to tonight's telephone town hall on the HST. We have more than 23,000 participants on the call, so it's taking some time to get everybody on the line. Minister I think it would be a good time for you to recap your opening comments for those callers who missed it at the opening part of the call. Minister, I'll turn it over to you.

**Hon. Pat Bell:** So well thanks, Sarah. And thanks. Boy, that's an incredible 23,000 people. Obviously there is a keen interest in the issue. So please I think you were able to join us. I'm Pat Bell. I'm the Minister of Jobs, Tourism and Innovation and also the MLA for Prince George—Mackenzie. We're joined on the line by colleagues Kevin Krueger and Terry Lake, the MLAs in Kamloops area, John Rustad who is the MLA for Nachako Lakes. And my good friend and colleague is here in the room, Shirley Bond.

**Shirley Bond:** Good evening. And what a fantastic turnout. Thanks for joining us tonight.

**Hon. Pat Bell:** So the intention of tonight's town hall is not to sell you on the HST. It is to hear from you on what you think we need to do to improve the HST. As you know we have a very important referendum coming up as a result of the commitment of Premier Christy Clark made in her campaign. And when she first came to office in March, she committed to moving the referendum up from September to June 24th. It will be a mail-in referendum. There's a significant savings as a result of that, about \$18 million. It would have been \$30 million to do a full-blown referendum. \$18 million is the savings, but now the cost of the mail-in is about \$12 million. You need to have your ballot actually at Elections BC by July 22nd. So don't wait. Make sure you mail it in as soon as you feel you have enough information to make a good decision. So the reason why we are here this evening is because we understand that we did a very poor job in rolling out the HST, both in communicating and talking about it. Shirley, John, Terry, Kevin, myself. So we wanted to make sure we had an opportunity for all our constituents to get all of the information that they need to make a good decision. Do we want to stay with the HST or do we want to go back to the previous PST-GST regime that we had previously? Two different taxes, and certainly duplication of effort, but a regime that we all knew. And we knew exactly what it was like. So tonight is not a sales pitch. It is simply trying to provide people the facts. And I will give you some information just in a second here that I think really reflects that.

In addition to this call this evening, there are three ways that you can get more information. First of all, you can go to [www.hstinbc.ca](http://www.hstinbc.ca), which is a website that's been established to provide you with expert opinions and answers to your questions. The second is, after the May 24 long weekend, there will be a series of public dialogues around the province, hosted by BC universities, colleges and institutions. We believed that was important to have an independent third party providing that opportunity for public dialogues. We didn't want you to be sitting there, listening to politicians. We wanted you to have good independent advice from our education institutions. And the third mechanism is the voters' guide package that will be mailed to every household in BC in early June. And that will, again, provide you with the balance of information. Not just from the Pro side, but from the Con side as well. An opportunity is being made available to everyone to provide input, into that particular document. Some comments made in an independent panel report that was released today. The four members of the panel were Jim Dinning, who used to be a finance minister in Alberta, people will recall that name. George Morfitt, who was the Auditor General of British Columbia. Tracy Redies, who is the CEO of Coast Capital Savings, which is Canada's third largest credit union outside of Quebec. And John Richards who is a professor in the School of Public Policy at Simon Fraser University, trained as an economist. They closed the last three paragraphs of their report. And this is an independent report. It's not done by government, and I think this is really important.

'The process of preparing this report has shown us much of the debate over the HST and PST-GST remains filled with factually incorrect information. We believed that better information including the good and the bad about each option is critical for there to be a successful referendum, no matter the results. Citizens usually leave such talks about policy questions for the provincial government. During this summer's referendum, British Columbians will make history. You will decide the future of the HST. The question before you would be. Are you in favour of extinguishing the HST, Harmonized Sales Tax, and re-instating the PST, Provincial Sales Tax, in conjunction with the GST, Goods and Services Tax. Yes

or no? Our job is not to tell how you to vote. It is to look at the facts and offer our best analysis. Now, it's your decision.'

Those were the comments of the panel. They're reporting out today. Their report is available at [www.hstinbc.ca](http://www.hstinbc.ca). And with that Sarah, I would like to move back to questions.

**Moderator:** Yes, Minister. We're going to go to [caller]. He has got a question about the HST on items that previously didn't have PST, like energy efficient items. [Caller], are you there?

**Caller:** I am.

**Moderator:** Please go ahead.

**Caller:** Yeah, I am just wondering about stuff like low flow windows, insulation, energy efficient things that never had PST before. And I'm looking at a bill right now. But I just purchased a window. And I, didn't charge 12% tax. And it would have been like 6% or 5% a year ago.

**Hon. Pat Bell:** Okay. Thanks, [caller]. I appreciate it. So the specific window that you're talking about, I'm not sure. But your point is a legitimate one. There are products, energy efficient products. They used to not have PST associated with them but do now have HST associated with them in the form of the added 7% HST. So as you pointed out, that window, or any energy efficient product. I'm not actually certain about the windows, so I don't want to comment on that. It would have previously had 5%. If it is an energy efficient product that was exempted from PST previously, it will now have 12%. So there would be the additional 7%. This is one of the areas that we've heard lots about. We are interested in what improvements we will need to make to the HST so that British Columbians find that it is a logical, thoughtful way to tax them and provide services to the public. I am going to put you down as someone who thinks that we should consider exempting tax from energy efficient items. So I appreciate your input and it's something that certainly will take under consideration. In addition I encourage you to go to the website, [www.hstinbc.ca](http://www.hstinbc.ca) to also register your comments, so that we can get it in there as well.

**Moderator:** Thanks, Minister. We just have comments from [caller] about the town hall and the timing of... [Caller] are you there?

**Caller:** Yes.

**Moderator:** Please go ahead.

**Caller:** I just wanted to make a comment. I think this telephone conference call is an excellent decision. I'm for one am on disability myself. And I find that I am paying far more for everything. And what my question kind of is, is why now are you on the phone when Gordon Campbell stood and told the province of BC over and over again that this was revenue neutral and not a word is said by anyone? All the ministers kept quiet until now it gets in and you realize the people are curious at the way this was all handled. And now you're taking the time to take people's calls. And yet, no one seems to stand up or wanted to stand up to Gordon Campbell, when he kept telling us that it's all revenue neutral.

**Hon. Pat Bell:** Thanks, [caller]. Thanks for the call. And I think it's important to know that we do have a new premier, she was elected on a change agenda. And one of the things that she feels very, very strong – I'm about to ask you, Shirley, and I, and John, Terry, Kevin – is that we have more open accountable government. We realized, we've come up short in that area. We are the first ones to admit that we've done a rotten job in this. And if we are going to continue to represent our electoral areas, to represent the province of British Columbia, it's one of the areas we want to improve. So we intend to cover much more open government under the leadership of Premier Christy Clark than we have in the past. And this town hall, telephone town hall meeting, I think is reflective of that. So hopefully you can accept that we are turning over a new leaf, that we want to have a good, open, accountable government, and that we're going to continue to have these sorts of events. I think 23,000 people on the phone line tonight is incredible. That's quite a story.

In terms of the revenue neutrality of it, we did believe initially that it would be revenue neutral in the first year or two, and that would have escalated. What we have found in fact is that we have generated more revenue than we believe we would. So I'm being absolutely affirmed with you. I don't want to run from the fact that this is generating more revenue than we thought it would. And it would be a change if we were to go back to the PST-GST system as I've spoken to previous callers. We have to take that into consideration. But you know this is an incredible story. 23,000 people are just on this call. We have two other calls going on right now. A total tonight of 78,000 people on the call. So I think that's the great new story, just by itself.

**Moderator:** Thanks, Minister. I want to go ahead to [caller]. She has a question about HST and on how does that health care cost. [caller] are you on the phone?

**Caller:** Yes.

**Moderator:** Go ahead

**Caller.** Hello. Hi, I was having concern about is the fact that my cost of care has gone up by the HST. So if you go to chiropractic therapy [...] that you use to keep this or to help to improve your health in some way, it's now taxed. Hello?

**Hon. Pat Bell:** Thanks, [Caller]. Yup, and I got to get there. The one that you mentioned, chiropractic. You are quite right, that is one of the areas that did go up by 7%. Previously, it was exempted from PST. It does have GST, of course, the 5% on it. But the additional 7% did come on. And you know, I guess what I think that I'm just going to put you down as someone who believes that we should consider those sort of health services as areas that should be exempted from the 7% provincial portion of the HST. And I will encourage you as well to go to the [www.hstinbc.ca](http://www.hstinbc.ca) website, and also register that thought. Low income people are exempted from some of those additional costs, but you know many British Columbians that use chiropractors or another services are incurring those costs. So it's one of the things certainly that we could be thinking about. The low income earners, as I said before: \$230 per individual. If you are a low income earner, for a family of four, that's \$920. When you get that credit rate up to about \$48,000 of income – not the full credit that obviously shrinks down overtime, depending on your level of income. But even someone approaching \$50,000 in income gets that quarterly cheque. So

thanks, [caller]. I appreciate the feedback and I'm going to put you down as a supporter for the idea of removing fees from some of those health care type services.

**Moderator:** Thanks, Minister. We're going to take another question before we go to our second poll question. We have [caller] on the line, who wants to ask about who's counting the ballots for the referendum. [Caller] are you there?

**Caller:** Yep.

**Moderator:** Please go ahead.

**Caller:** Yeah, I'd like to know who's counting the ballots on this mail-in referendum thing. Or it's just a done deal and we're just spinning and wasting more money?

**Hon. Pat Bell:** Well for your question, [caller]. No question about it. But it is being done the entire process of this vote. It's being done by Elections BC. Elections BC is an independent office through the legislature. It is arms-length from government. It has nothing to do with the provincial government. Once the Chief Electoral Officer is appointed by an all-party committee of the legislature, they remain appointed for a specific period of time. So you don't need to worry about this being a done deal. It is a very open, democratic process. The votes will be counted and you'll probably find out exactly the same time that I will.

**Moderator:** Thanks, Minister. We're going to go to our second feedback question to get your input on the HST. Again, I'll ask for your preferred answer by pressing a number on your keypad. Please listen carefully to the options. I'll read the question and the answer twice. Here is the second question. If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up that revenue difference, which of this would you choose? There are 3 options. Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Run larger deficits, press 4. Let me re-read the question and answers. If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up that revenue difference, which of this would you choose? There are 3 options. Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Run larger deficits, press 4.

We're going to go to [caller]. He has a question about who benefits on the HST, people or companies? [Caller] are you on the line?

**Caller:** Hello.

**Moderator:** [Caller], are you. Are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** I'm just wondering if, when you brought in this HST, does it benefit the companies more than the taxpayers? It seems like the taxpayers are paying the burden. And another question I have is after this being here, all this probably, are the people assigned to get this referendum back in line. When you realized that so many people just don't like it, and then, everybody in their writings – why would we even have to go to this mail-in referendum? It makes me wonder why we vote you in, but you don't do what you were voted in to do? You know, you're speaking to according to what Campbell wants, not what the people that voted you in want. That's my question.

**Hon. Pat Bell:** Thanks, [caller]. As you probably know, we have a brand new premier in the province, Christy Clark. Gord is no longer an elected official. He's not even an MLA anymore. He resigned, so we're focusing on the future. We think we've got a very bright future in the province. I'm working with a very difficult issue, and that is, what to do with the HST? I think that, there is no more democratic process than going to the public. And saying, "you make the decision". Now, please keep in mind that the legislative requirement for referendum actually said that 50% of the all the registered voters in British Columbia needed to vote down the HST in order for it to be removed. We will step way beyond that. We said 50% of the people that show up; if they're voting against 50% plus one person, if they vote against the HST, it will be gone. So we've actually, I think, going much further than the law required us. And I think having an open, transparent public poll like this, that's mail-in – it's easy for people. Boy, that was as democratic we can get. And I would suggest that we have in fact listened to people. So I hope you can save that for what it is. Because I'd say, it's a very important time. These are big decisions. The previous callers prior to you have asked about what the cost of going backward is. There is a cost, and we understand that.

You asked me, you know, if business gets more benefits than individuals. I did say that earlier. Individuals are paying about \$1.3 billion more in tax now than they were before. Businesses are paying about \$700 million less. I understand that and I'm not afraid of it. The key is whether or not we can build the level of economy with that change in tax, that allow us to create high value family supporting jobs. And that's what our hope is. So I hope you feel you've got a democratic process here [caller]. On June 24th, you're going to get your opportunity to mark your ballot as, as everyone else in BC

**Moderator:** Thank you, Minister. I have a question from [caller]. She is a farmer and interested in knowing how it affects her, and what she can hope to see as a positive. [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Oh, yes. I have a question, that the accountants were supposed to be getting back HST PST at farms, because we feed the people of our province. I don't see that happening. And I have never received an HST cheque.

**Hon. Pat Bell:** Well, thanks [caller]. And we need to make sure you get some good accounting help and advice, because you should. In fact, all of the money that you expend in HST should become what is referred to as an input tax credit. I would encourage you to contact your MLA, whoever that is, I don't

know what part of the province you're calling from. But wherever you're calling from, contact your local MLA, and we will put you in touch with someone who can provide you with that information. But if you're not getting money back, the farmers are one of the key areas that are big winners in the HST. It will be a big savings for you. It'll make sure that you can be profitable and I know how tough the agricultural business is. So thanks for the question and please get in touch with your local MLA or an accountant if you'd prefer. Or a bookkeeper who can send you in the right direction to make sure you're getting everything you're entitled to.

**Moderator:** Thanks, Minister. We have a question from [caller] about HST on groceries at the supermarket. [Caller], do you want to ask your question?

**Caller:** You're talking to me?

**Moderator:** Yes. Thanks, [caller]. Go ahead.

**Caller:** It's not the supermarket. I want to know why, your government, you keep saying we have a new government. How come, your new government just doesn't stand up and say, yes we know there is a mistake from the other government made from before? Stand up and it's not going back. It is putting money back in my pocket. If I'm disabled, every penny counts. Every penny counts and you're taking more money out of my pocket. Big businesses is already [expletive] us. You already sold our sawmills up to the United States. They're getting tax breaks from British Columbia. And they're ripping us off for more taxes. Don't be handing out, saying this all going backwards. It's not going backwards. The HST is putting us more in debt. Here is the part with the debt. With some money that you took from the federal government gave you to make more money, taxes for the government, as HST...

**Hon. Pat Bell:** [Caller], I'm sorry. I'm going to jump in here [caller]. You're currently getting into a couple of other issues over and above the HST, which is what we're here to talk about tonight. So I'm sure he'll get in touch with you. But I'm hoping that you were getting the maximum credit that you possibly can, under the BC HST credit system. So just very quickly for the other listeners on the line. You may know this [caller], I'm not sure, but a single individual earning under \$25,750 is eligible for an HST credit up to \$230. A family of four can potentially receive a credit up to \$920 per year. So it's \$230 per person. And then, there's a different income threshold. So I know it's very difficult to make ends meet, [caller]. And I hope that we can make sure that you're getting that credit.

**Moderator:** Thanks, Minister. We have [caller] on the line, he's a carpenter with some questions about how [paying for it all]. [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Hello, Minister. Yes, I've got a couple of pretty serious concerns. Obviously, first and foremost being the labour issues with HST in charges on labour. Being a carpenter, we have actually seen our business decline stiffly in this region. And I know of others in the province where I have friends, who were also in the business. I'm wondering what ways we can change that. And I'm also going to see a



trend here. I just want to make a note about a trend talking about how we're going to pay for the transition back to PST-GST system. First and foremost I think that the BC levels let down all of British Columbia when they failed to consult with us meaningfully on this sort of change. And now, we're forced to bear the burden of Campbell's regime mistakes. One way to reduce that burden in my opinion would be to pull Mr. Campbell's pension. And from what I'm hearing it's 6 figures. So if we were get to rid of this, then maybe that would help.

**Hon. Pat Bell:** In terms of the cost to go back, you identify that as a cost. Let's keep in mind if we've never gone to the HST system, we'd still be \$1.6 billion under the line. That's money that came to the provincial government from the federal government, that was used for services that were provided last year, this year. And will be use again next year to provide for services. So you know, anyway you cut it, there is \$1.6 billion. If we didn't do the HST, we wouldn't have had an additional \$1.6 billion presumably or we would have had to reduce services or add taxes. So it's payback that the money regardless had to be used. It was an opportunity for us to access that \$1.6 billion and if we're going to the HST, it just make good sense to take advantage of that. But that money was required regardless. So that's important for you to know.

Your comments on labour, to do with carpentry services, again is one of the things that we've heard a little bit – not a lot. So I encourage you to go to the website, [www.hstinbc.ca](http://www.hstinbc.ca) and register that as one of the areas that you think would be important in terms of exempting that particular service from HST. So I appreciate your comments. I can assure you that Christy has given us all very, very clear mandates to change the way they were doing business. This is about being more open. It's about making sure that we get on to talk to people. Listen to them. Take their advice. And do what we can to implement effectively. So I know people have strong feelings about the past. I'm looking forward to the future. I know my colleagues are as well.

**Moderator:** Thank you, Minister. I'd like to remind our callers that we're trying to get through as many questions as possible. So we'd appreciate it if you keep your question short and limited to just one question per calls. We have a call, Minister, from [caller], who'd like to talk to you about gym memberships, sports equipment and other things, and whether or not they could be made exempt. [Caller] are you on the line?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Yeah, just my thought was, in general, I'm supportive of value added taxes and possibly coupled with a reform of the income taxes to move over time. But in the short term, we're a very active family to play hockey, soccer, sport running events, gym memberships and things like that. And it seems like, on the things to keep healthy, in which in you know hopefully keep health care costs down for ourselves in the province.

**Hon. Pat Bell:** Thanks, [caller]. A couple of things on that issue. Yes, it's possible. This is an area I've heard a few times this evening. And I've also heard it around lots of locations. Just being around Prince

George and Mackenzie, talking to people that this is an area that they think is important, particularly sports equipment. Just to encourage healthier living styles. The one thing I'll just let you know is Christy and her platform did commit to looking at some sort of an income tax reduction base on sporting equipment to encourage children to get involved in sports. She actually introduced, I think it was, a private member's bill, but she at least talked about it and around 2005, I think that was, when she was a member of the legislature. She talked quite extensively about that. So I think that's something that you can anticipate from our government is that keen interest on moving on that area. And again, not to get too imperative, but I just encourage you to go to [www.hstinbc.ca](http://www.hstinbc.ca) to register that comment. So thanks for doing that. Appreciate it, [caller].

**Moderator:** Thanks, Minister. I just want to let everybody know we probably have time for about three more callers. We're going to go to [caller]. He has a question about what the government is doing to educate the public about the HST. [Caller] are you on the on the line?

**Caller:** Yep.

**Moderator:** Like to go ahead please?

**Caller:** Okay, you know me back. I'm up and down from the loops. One of the things that I was going to ask that since part of the problem was the whole implementation of the HST was not really educating the public as to what was all involved. And having it more or less thrust on the public. But what now that it's been in for how long? A year now? Or I don't how long it's been in. But has there been any analysis done that could put the other brochure of some sort that could be passed out to the public to kind of really give them a snap shot of what actual difference it has made on us? And so we could, you know, like educate – because a lot of information going around on all this... I like to see them on a piece of paper to kind of make a judgment call as to what really the impact has been.

**Hon. Pat Bell:** Yeah, thanks [caller]. I do know, I absolutely do know who you are. You're a logger. I know it very well. And a good logger at that. I will, so for someone in your situation, if you want to get a new loader, a new logging truck – so I guess logging truck is the most relevant – it is a huge saving. So fully, a logging truck, I'm not telling you anything you don't know [caller]. I know you noticed, but \$250,000 to give her take. That's about a \$15,000 savings in what used to be PST as a result of not having to pay that in HST. So from log harvesters such as yourself, it's a big savings. But the question you asked, is there a better way of getting information, have we done anything about that? There's really three places to get good information [caller]. The first one is the website that I mentioned a few times tonight, [www.hstinbc.ca](http://www.hstinbc.ca). The second is starting at the May 24th weekend, there's going to be a series of free public dialogues around the province sponsored – or hosted, I should say – by universities, colleges, and institutions. So the reason why we chose that is we wanted it done independently. We didn't want to create an environment where people felt they were listening to individuals who have a vested interest. We wanted to have good independent information. So that's the second one. The third is a voter's guide that will present statements from the pro and con sides of the equation. It will arrive in your mailbox early in June. Also don't forget the independent report that was out today that is available at [www.hstinbc.ca](http://www.hstinbc.ca). But thanks [caller].

**Moderator:** Thanks, Minister. And we have a question from [caller], who's interested in knowing if we went back to the PST, what would that do to taxes on fuels? [Caller] are you on line?

**Caller:** Yes, I am.

**Moderator:** You go ahead please.

**Caller:** Yes, Minister Bell. I'm from Williams Lake? I would like to know what would happen if we went back to the old system. Would the PST and everything come back on home fuels and other fuels?

**Hon. Pat Bell:** Yeah, thanks [caller]. There would be, I don't want to say no change, because there'll be some PST on the delivery charge with fuels and the truck tires on the truck used to hold the fuels on. But basically the answer to the question is there is no HST. Not the provincial 7% on your fuel today, and there would be no PST if we went back. So it would be for all intents and purposes exactly the same cost. And that was the case. There was no change to home heating fuels, firewood pellets after actually applying for the rebate, everything else that comes on the actual invoice. So no change now.

**Moderator:** Thanks, Minister. Next question is from [caller]. He is wondering, the extra revenue that we're collecting on the HST, why not reduce the portion of the HST to make people more comfortable? [Caller] are you on the phone?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** That was exactly my question. You know, the province is making a quite a bit extra money on this. And you know that business has got quite a break. And it all went out to the backs of the individuals. And they would probably feel a lot better on average by dropping it down at percentage point.

**Hon. Pat Bell:** Thanks, [caller], you're the second caller that brought that up. And I did mention before that the cost per point is about \$800 to \$850 million for you in that range. But you know what, it's one of the things that I know we are hearing from the public, that that would make the HST a more palatable form of tax. So I'm going to put you down as a supporter of the idea of reducing the tax at 5%. And I encourage you go to [www.hstinbc.ca](http://www.hstinbc.ca) and register your thoughts there too. So I appreciate your comment tonight.

**Moderator:** Thanks, Minister. We have time for one or two more calls. We have [caller] on the phone who wants to ask you if there's any chance of re-writing your referendum questions. [Caller] are you on the line?

**Caller:** Yes, I'm here. Thank you.

**Moderator:** Please go ahead.

**Caller:** Hi, Mr. Bell. I really am thankful to have the opportunity to participate in this call. It is a wonderful use of technology and I'm really happy that you are listening to the voices of others. My

question is with the popularity and the participation of this telephone call tonight. Would the parties that are making the referendum question, which you read to us earlier sounds very narrow and scope – It sounds a very yes or no, do you want to the HST? Or do you want to go back to the PST-GST system? And there's only a very narrow choice. With the popularity of this call and the things that you were hearing from the residence of BC, would anybody be willing to expand that question to incorporate possible options, rather than yes or no?

**Hon. Pat Bell:** Thanks, [caller]. And I think that's a really good question. So the actual question itself for the referendum was drafted by Elections BC. And Elections BC is an independent body that doesn't report to the legislature. It doesn't report to government. So they have full and total leeway in developing the question, and they've chosen it already. But however I think your point is you'd like to be able to say, you know maybe there is an answer that says I don't mind the HST, or it's more palatable if you made this change. And you know we've heard tonight as an example it was removed from the labour components of renovations on your home. So that might make it more palatable. We heard that if you removed it from sporting equipment, then it would be more palatable. We've heard if you've drop it a percent or two, it would be more palatable. So what we intend to do is through these telephone town hall meetings, accumulate all of that information. And then prior to the referendum we will as a government present the options that we see. We can get back to the PST and this is what it'll look like. If we stay with the HST, we've listened to you, we've heard your concerns. We're going to respond to them and we are prepared to make the following changes with the HST to be chosen in this referendum to continue to act as the taxation system in British Columbia. So the question [caller], I think we will be able to respond. We won't be able to do everything, to be clear. You know it's very expensive to drop a percent from HST, \$800 to \$850 million. But you know I wouldn't be surprised if there's a bunch we can do. And what I would encourage you [caller] and everyone else to do is to go to [www.hstinbc.ca](http://www.hstinbc.ca), and tell us what it is that we can do to make this type of tax, something that is more suitable to me here in British Columbia. So a very good question and thanks so much for calling.

**Moderator:** Minister, this is going to have to be our last call for this evening. It's from [caller]. She is wondering why we're having a referendum. [Caller] are you on the phone?

**Caller:** Yes

**Moderator:** Please go ahead.

**Caller:** I'm confused. Okay. You guys just in. Again, it's everyone's will. And then now you're asking us if we still want it to the tune of billion of dollars. I think you got people mad, because of this type of thing. You guys put something through and then you go back and ask us later. This is the kind of thing... All these billions of dollars that you guys want to save. So...

**Moderator:** [Caller], thanks for your question. I'm sorry to have to interrupt but we are running short on time, Minister. Please go ahead with your answer before we wrap up the call tonight.

**Hon. Pat Bell:** Well absolutely thanks. [Caller], I'm sorry you got cut off there. Because I would like to hear the rest of your comments. I think your comments are the way many British Columbians feel,

frankly. And that's exactly why we're here tonight. You know it's important to know that I guess about just under two months ago we got a new premier in this province, Christy Clark. She has mandated a strong agenda of change. I don't know if there's been a time when there's been telephone town hall meetings trying to hear from the public, to get a better understanding of what the public thinks and how we need to react to their concerns. Perhaps there has been another jurisdiction, but I know this is a first time here. So we believe in open government. We believe in making sure that we listen to our constituents and act responsibly. There are always tough decisions to be made in terms of taxes. In terms of priorities for spending and the government has a delicate balance. Shirley, and I, John, Kevin Krueger, Terry Lake have all learned that over the last number of years. And we're constantly confronted with those tough decisions. I think it's perhaps a once in a lifetime opportunity and it is a huge personal decision that each and every person is going to have to make. It is enormous. So [caller], I want you to know that we're committed to trying to be as open and transparent as we possibly can be. We're going to listen and we're going to respond the majority of British Columbians. And if they choose to go back to PST system, that's where we'll be. So I'm going to leave it at that.

**Moderator:** Thanks, Minister. Thanks everybody again for the 23,000 or more than 23,000 participants we've had in the call tonight. If anybody didn't get a chance to ask their question, please remember that you can stay on the line at the end of the call. And you'll have an opportunity to leave a recorded message for the government. Minister, I'm going to turn it over to you for your closing comments. Minister, go ahead.

**Hon. Pat Bell:** Well, thanks so much there. And I want to thank everyone for dialling. And this is just incredible. Shirley and I are just sitting here in shock. 23,000 people called in. That number was from earlier on. So I wouldn't be surprised if we ended up with even more than that. This I think is an incredibly valuable tool. So there's a couple of ways in getting more information. The first is going to the website that I've mentioned tonight on numerous occasions, [www.hstinbc.ca](http://www.hstinbc.ca). There is a survey and comment section in that website. And I really hope that people take the 5 or 10 minutes to go and do that, because we're going to base our decisions on your feedback. This is a new open government. It is a change government. We want to be responsive to your needs and your desires. And I know I speak for all of my colleagues when I say that is probably the most important decision that we all face. And I want to personally on my behalf and on behalf of Shirley, John, Kevin and Terry, thank you for taking your time this evening to participate in this town hall. Sarah, thank you so much for that. And we're signing off from Victoria.

**Moderator:** Minister, thank you again. And thank you everybody for participating. If you wish to leave a comment please stay on the line. Now I'm going to formally close this town hall and wish everybody a good evening. Thank you.

## OKANAGAN TELEPHONE TOWN HALL SUMMARY

Date: May 10, 2011

Host: Minister of Jobs, Tourism and Innovation, the Honourable Pat Bell

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
143,915	44,747	30,882	17	69%	285	25

### Synopsis

Telephone Town Halls on the HST began April 27, 2011. The Okanagan call was the sixth of eleven regional town halls conducted by Government with British Columbians.

Minister Bell responded to 25 questions and/or comments during this call. Issues that arose from citizens in the Okanagan Valley included the following:

- Exemptions or mitigations for specific products or industries – Vehicle purchases, equipment for activities, legal services, support for tourism operators and exempt secondary homes
- Cost to the Province of going back to the PST.
- Implications on seniors and lower income British Columbians
- Concerns that prices have not dropped as a result of HST.
- Callers also raised issues of revenue neutrality, government efficiencies, the poor implementation of the tax and inquired about where the HST revenues were spent.
- Cost of administering the PST compared with the HST.
- Positive impacts of HST on small businesses.

Six callers either directly mention dropping the rate or made a comment about already paying too much tax.

Okanagan residents had very specific questions: charging the tax on business done outside the province, transfer of Provincial employees who use to administer the tax, vote threshold under legislation for the referendum.

Several callers mentioned how appreciative they were to be engaged on this topic through this technology and one caller thought this should have been done before the tax was implemented.

**May 10, 2010 Transcript: Okanagan Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST Town Hall with BC's Minister of Jobs, Tourism and Innovation, the Honourable Pat Bell.

My name is Lisa and I'll be the moderator the Town Hall this evening. Before we begin, I'd like to give everyone some information on how this Town Hall will proceed. The Minister will have some short introductory comments, then we will proceed with the live question answer period.

Just one quick word about privacy, this call is being recorded and will be transcribed. But if you do not want to have your ideas and comments or opinions be part of the transcript of this call, I suggest you remain in listening mode.

In order to include as many questions and comments as possible on this call, please keep your questions short and to the point. If you wish to ask a question, please press star 3 on your key pad and an operator will come on the line to ask you a few questions. Please use only your first name when speaking to the operator.

We want to hear a wide variety of questions from the audience tonight. The operator will make sure that we reduce duplication. After you have spoken with the operator, you'll be queued up to ask your question. When you hear me say your name, your line will be open and you can ask the minister your question. After you've asked your question, your line will be muted so that the minister can respond and you will be placed back in a listening mode. Please note there will only be questions and answers during this Town Hall, we won't have time for supplemental questions. I also ask that you use polite and respectful language on this call. Anyone using inappropriate language will be cut off.

Later on in the call, you will be able to provide your feedback on HST directly to government by answering a couple of multiple choice questions. This is not a scientific poll for feedback, rather an opportunity to engage you on some important questions about the HST in BC.

Thanks for your patience everyone. We'll do our best, but we may not get everyone tonight who has questions or comments for the Minister. However, if you stay on the line until the end of the Town Hall, you will have a chance to leave your comments in a recorded message.

Again the number to hit if you want to ask a question is star 3.

And now I would now like to turn over this call to Minister Bell for his opening remarks, Minister.

**Hon. Pat Bell:** So thanks very much Lisa and I'd like to thank everyone for dialling into the Town Hall tonight.

This is going out to about a 144,000 people. I'll be advising a little later on in terms of how many people are actually online. But to give you a bit of a flavour last week, there was about 23,500 people stayed on the line in 11 ridings through Northern British Columbia. My name is Pat Bell and I am the Minister of the Jobs, Tourism and Innovation and I'm joined by 2 of my colleagues here in the office whom many of



you will know. I have Steve Thompson here, the new Minister of Minister of Forests, Lands and Natural Resource Operations, Steve

**Hon. Steve Thompson:** Good evening everybody and thanks for joining and participating. We really look forward to the input.

**Hon. Pat Bell:** Also in the room is my good friend Norm Letnick who is a strong representative for the Kelowna-Lake Country area, Norm.

**Norm Letnick:** Good evening everyone. It's nice to be here and looking forward to listening on what you have to say.

**Hon. Pat Bell:** Three of our colleagues were unable to be here with me in my office but are online. Eric Foster, George Abbott and John Slater. I know they are all keen to hear what your comments are this evening.

Just very very briefly; I want to remind you that when Premier Christy Clark came to office in March, she acted immediately on her commitment to move the referendum forward from September to June. And so we do have a very very important date coming up on June the 24th, when you will be asked to make a decision on whether we should stay with the existing HST model or move to the PST combined with the GST model. Government at this point thinks it's very important to make sure we listen to all of the public on your feelings around the taxation model. Primarily because we want to be able to provide you with the best possible information prior to you making your decision on June the 24th.

We will be providing you, before that date, with improvements to the HST that are recommended by you. So this evening, I'm hoping to hear from you what some of your key interest are and what we can do to improve the HST system. I am not here to sell you this evening. I want that to be very very clear. I just want to listen to you and provide you with the best information I can.

There are 3 additional ways that you can get more information if you are interested. The first is the website and I will be repeating that throughout the evening tonight: it's [www.hstinbc.ca](http://www.hstinbc.ca). That website has a broad variety of questions and answers, expert opinions and also an independent report that was released last week that I will speak about in just a second. The second is starting after the May 24th long weekend and in fact in Kelowna on May the 30th, there will be a variety of public dialogues around the province hosted by BC's universities and colleges. In the case of the Okanagan by Kelowna Okanagan College. And the 3rd opportunity will be a voter's package that will be mailed to you at early June. There will have statements from both the pro and cons side for the HST as well as the summary report from the Independent Panel.

Before we actually go to questions, I just want to read something that came out in the Independent Panel report that I think is particularly important. it's summarized in the final comment which is 'Our job is not to tell you how to vote. It is to look at the facts and offer the best analysis' and I will provide you with the best information that I possibly can.

The authors of the independent report (that is available if you wish to take a look at it) are: Tracy Redies, the CEO of Coast Capital Savings. It's Canada's 3rd largest credit union outside Quebec. John Richards who is a professor at the School of Public Policy at Simon Tracy University and an economist. Jim Dinning who is the Finance Minister for Alberta for an extended period of time, for about 5 years. And George Morfitt, who served 2 terms as the Auditor General for British Columbia. So very good report. Lots of good information there that is independent and gives you an opportunity to really get a good flavour.

So we're just used to this tax for about 10 months now and you've had a chance to get a sense of how it is working for you and your family. So I want to hear your feedback and with that Lisa, I would like to open out the lines to questions.

**Moderator:** We'll get right to calls in a few minutes. I would like to remind everyone who has questions. Just press the star key and 3 on your telephone key pad and that will allow you to ask your question.

Minister, I'm going to start tonight's discussion with a question I am sure many people are asking and it's why did the province choose to hold their HST referendum using the mail and ballot and when can people expect to receive their ballots?

**Hon. Pat Bell:** Thanks, Lisa. That was a good question to start.

I knew that one would have come up this evening; so the ballots are going to be mailed out and you should receive them, your ballot, prior to or on June the 24th. If you have not received your ballot by that date, then I strongly recommend that you get in touch with Elections BC. That number is available in blue pages of your phone book. To ensure that you do have an opportunity to vote, in what is probably the most important referendum British Columbia will ever see, you must have your vote in to Elections BC by July the 22nd. That doesn't mean post marked before July the 22nd. It actually means at Elections BC.

So I know I'm going to be mailing my ballot shortly after I get it, to place my vote and get an edge, and I strongly encourage everyone to make sure that they have [their ballots in] well in advance of the July the 22nd deadline.

Lisa, thank you so much, you ask why the Province went that way? It is an \$18 million dollar savings. A full referendum would have cost about \$30 million dollars. This is about \$12 million dollars. We want to respect taxpayer dollars. But we also understand this is a very busy time of the year for people. People start holidaying at the end of the June and end of July and we wanted to make sure that everyone has an opportunity to vote in this. So there is a fairly broad window. You should have received your ballots by June the 24th then you'll have until July the 22nd to make sure they are in. So we are hoping that captures everyone and increases the opportunity to vote. So Lisa, let's go to the lines.

**Moderator:** All right, thanks Minister. Again for everyone joining us, to ask a question you just press the star button and the 3 on your telephone key pads.

For our first question is [caller] he is from Lumby and he has a question about the price tag if HST gets repealed. Go ahead, Chris.

**Caller:** I was just wondering, I know the federal government gave the Province some money to institute the HST. I am just wondering how much it's going to cost us to pay back to the government and if it's repealed, rescinded then, I just was wondering what's the price tag on the whole thing?

**Hon. Pat Bell:** Well, thank you very much [caller] and as luck would have it your MLA Eric Foster just came in the room right now. Eric, thanks for joining us.

**Eric Foster:** Thanks a lot, Pat.

**Hon Pat Bell:** [caller], the total amount of money that was advanced by the federal government to the Province as a result of signing on to the HST was \$1.6 billion dollars. And now we took that over 3 years. So last year, this year and next year. That money will of course, we'll be obligated to repay.

To give you bit of a flavour, if the province is simply to borrow that money, the interest on the loan would be about \$85 million dollars per year. In addition, we would have to rebuild the infrastructure that we had in place to collect the PST. That was an annual cost of about \$35 million dollars. And the other thing that I want to be very upfront about is, in fact, the HST will over time collect more money than the PST system did. In fact, half a billion dollars or more in the early years and climbing to 8 or 900 million dollars in the out years.

That is all lined up to be used for health care, education, infrastructure and so forth. So it is a substantial cost: \$1.6 billion dollars that would sum to \$85 million a year just an interest cost and about \$35 million dollars a year in terms of rebuilding the infrastructure.

**Moderator:** Thank you, minister. Our next question is from [caller]. She is from Malakwa and she has a question about putting the money back in the pockets of people. Go ahead.

**Caller:** Hi, minister. It's very good to talk to you.

I would like to know how this government is going to give us back some money so that we can spend it?

It's a middle class and the poor people that makes the wheel go round and I see that HST is a motion that makes gentrification and - I'm sure you know what the word is and I want you to speak, you can't reverse this gentrification, - I know we have the taxes, but for God sake, do something about this thing so that money goes back into the people's hands. So that we can make the wheels of finance go round. Thank you.

**Hon. Pat Bell:** You are speaking our language that is for sure. We are like the folks that like to see tax reduction and in fact on average is about 38% tax reduction in personal income taxes since we've come to office.

We are actually looking at a very interesting graph the other day that was presented in the Independent Panel report and I encourage you to take a look that as well. But it shows BC is really tied for about the

3rd lowest taxes in the country including the combination of HST and the personal income tax. So Alberta is a bit lower and we are kind of tied for second/third after that.

But I think really, your point is a good point one and that's what we're here to talk about tonight. So I encourage you to go [www.hstinbc.ca](http://www.hstinbc.ca) to bring your recommendations forward. Last week when I did this call up north, the recommendations that we had revolved anywhere from reducing the HST by a percent or 2, to exempting restaurant meals, to exempting bicycle purchases and other sorts of things. So it's important that when money ends up in government that we spend it wisely and certainly education and health care continue to big pressures.

So Lisa, let's go on to the next one.

**Moderator:** Okay. Thanks, Minister. Our next caller is [caller]. He is from Kelowna and he wants to know how the HST will affect his pension. Go ahead.

**Caller:** Thank you, what I would like to know is pensioners never seem to get much of an increase in their pensions. But with the HST being on almost everything and being probably one of the highest tax nations in the world. I'd like to know exactly how this does me any good as a pensioner?

**Hon. Pat Bell:** Well, I appreciate a call. Thanks very much, [caller] for calling in.

So I don't know whether or not you will qualify as an individual because I don't know what your pension income is in terms of the HST rebates. But we do have the HST rebate available and depending on the size of your family and your personal income, the amount that you can be rebated are substantial. So it's \$230 per person, that is rebated in the HST rebate.

So for a family of 2, if that was your circumstance, it would be \$460 and that kicks in depending on your income. For example for 2 people if you have an income of \$36,500 or less, you will be qualify for at least some HST rebates. So that maybe a direct deposit to your account. I know some people do receive it that way or may not. But the higher your income, I want to be absolutely upfront with you, that there is a cost and the more people spend, the more they pay. But it does go to help support all of the infrastructure and health care services that they have in the province.

I know as a senior we all rely on that. So it's a key, key component of our overall tax base. Lisa, let's go on.

**Moderator:** Thank you. Our next caller is [caller] in Vernon. He has a question about, pertaining to spending that can go on his budget. Go ahead

**Caller:** Thank you for having this meeting by the way.

My question: As a taxpayer we feel that we are overtaxed and we are expected to make concessions all the time. And this, the GST for example was not meant to be there forever, you know. And yet whenever the government introduces a new tax, we can even go back income tax you know with the - it was only there for the wars. It is supposed to be there for the war and we're, you know, getting tax

upon, tax upon, tax upon tax and what is the government do reduce their spending for that? They can pass that onto us because I really don't think we should be paying more taxes.

**Hon. Pat Bell:** So thanks, a lot. Your MLA, Eric Foster, is sitting here with me and both of us are agreeing with you.

So, but I want to point out that the bulk of income taxes virtually all increase spending right now - it's going to health care or some to education. So I have the honour of being in a couple of different ministries, most recently, Minister of Forests. Prior to that, Minister of Agriculture and Lands and then now, Minister of Jobs, Tourism and Innovation. And I can tell you that my ministry has not seen any increases. In fact, generally speaking, we found better ways of doing business and doing it for less money and I had a reduction of about 25% in my budget over a 3-year period. And we were able to find different ways of doing business.

But where the real increases are coming are in healthcare, in particular, and to a lesser extent, education. Health care now consumes 42% of the provincial budget. Education about 27% of the budget. And then, all other ministries combined about 17%, social services 8%, and then interest on the debt is about 6%. So, we continue to work hard to try and keep tax as low as we possibly can and control our spending lines, but health is a huge pressure and we need to make sure that we focus on building the economy.

**Moderator:** Thank you, minister. So, I think we're going to, this is a good time to do our first poll of the night. So, it's our first of tonight's questions to get your feedback on the HST. I'll be asking for your preferred answer by pressing the number keypad. Please listen carefully to the options. I will read the question and the answer twice. Here is the first question.

The HST collects more revenue for the province than the PST plus GST system. If you can only pick one way to use this additional money, which of these would you choose? There are 4 options.

Increase spending on things like healthcare and education, press 2.

Reduce the tax burden on all British Columbians, press 3.

Provide an additional HST credit for families with children, press 4.

Or, reduce the deficit, press 5

Thank you for participating in the poll.

Now let's take another question from our audience. Our next question is from [caller], he's from Sicamous. Go ahead.

**Caller:** Between [expletive] clowns and so related and I'll be...

**Moderator:** Excuse me, sir.

Our next question is from [caller]. He's from Blind Bay. And his question is, can the HST be lowered by 1 or 2%? Go ahead [caller].

**Caller:** Thank you, Mr. Minister. Pleased to talk to you this evening.

I'm in favour of the HST, I don't think that we should be going backwards. We should get rid of that old PST/GST model. One thing that may make it more palpable or palatable to the population of the Province may be lowering the rate 1 or 2 percentage points. Has the government thought of that possibility?

**Hon. Pat Bell:** Thanks, [caller]. We are looking at that. I should let you to know that reducing the HST turns out to be about \$850 million dollars per percentage point. So, if we were to reduce it by 2%, that's about \$1.7 billion - \$850 million per single point.

It may be manageable over time and we are considering our options at this point. It's been a relatively common theme in the calls that I have done. So, I'm going to put you down, [caller] as recommending a reduction in the rate and I encourage you to go to [www.hstinbc.ca](http://www.hstinbc.ca) and also register your views there. So, we're going to be considering everything that comes up in this and the more people that take a specific position around it certainly will enable us to respond to what the public are looking for.

**Moderator:** Thank you. For the benefit of people who are just joining us, Minister, I hope you can give us a recap on what we're doing tonight with this HST Town Hall

**Hon. Pat Bell:** Sure. Thanks very much. Sure, Lisa. Thanks everyone for dialing in to this.

We're covering off the Okanagan this evening which includes the Shuswap, Vernon, Kelowna, I should mention the West side of the Lake, and Boundary Similkameem. I'm joined in the office here by my colleagues Eric Foster, as well as Norm Letnick and Steve Thompson. And then on the line, we've also got George Abbott and John Slater.

Tonight is intended to be an information process for the public in those ridings. I'm not here to sell you on the HST, just hopefully to provide you with the facts. As you know, Premier Christy Clark, when she came to office in March, committed to moving the referendum forward from September to June. We have done that. And we think that it's critical that people are well-informed as they make their decision whether it is to keep the HST or to go back to the previous system where we had both the PST and the GST.

There's a couple of places you can get some additional information if you're looking for it. One is website [www.hstinbc.ca](http://www.hstinbc.ca). The second is starting after the May long weekend, there'll be a series of open public dialogues on the HST presented by different universities. So, there will be one in Kelowna on May the 30th from 7:30 to 9 at Kelowna Okanagan College. So if you're interested, that would be another good opportunity. And then third, there's a voter's guide or package that will be sent out to you with both the pro and con sides in early June.

So, my goal this evening is to hear from you, try to respond to your questions, but most importantly get a sense now that you've had an opportunity to live under the HST system for the last 10 months to tell us whether or not you think there are areas for improvement. So, Lisa, with that, let's go back and answer some questions.

**Moderator:** Hey, thanks, Minister. Our next question is from [caller]. He's from Kelowna and he wants to know why did they go ahead and implement it, but not leave all the exemptions in place.

**Caller:** When you went ahead and spent this HST on the unsuspecting public, you went ahead and decided to implement it on a lot of items that were exempt. And, I'm using as a specific example buying a second car. And before we can buy a second car used from someone other than a dealership, we can go ahead and register that car. The cost is only the GST. Your change made it that we have to pay an additional 7% which then resulted in coughing up quite a bit more. Now why didn't you just leave all the exemptions that were currently in place instead of umbrella-ing everything under this new tax?

**Hon. Pat Bell:** Thanks, [caller]. There's a few questions there. So, I guess I want to start out just by saying you know, Premier Christy Clark when she came to office a month and a half ago, committed to a new open style of government that tries to be responsive to the public, that listens, that tries to again, match our policies in taxation regimes to what the public is asking for.

So you know, I know that you're uncomfortable with the way the HST was introduced first without a dialogue about 2 years ago and then actually introduced last July. So, I guess, I want to, just out by saying, there's a new government, we've got a new premier and we are intent on being far more open and making sure that we're listening to the public.

In terms of the second car issue, or I think what you're really referring to is purchasing cars from a private person. You actually, I think you have it backwards. So, under the old model, actually, the PST component was charged when you went to register that vehicle, not the GST. So there was 7% charged not 12% or the additional 5%. And in fact, that 5% has been added. So, you're quite correct. But it is the opposite, it was 7% that was originally charged and then the additional 5%.

All these tax revenues go to the services that are provided across the province. And you know, for each individual, that may mean something different. Seniors of course, healthcare is absolutely critical. A big portion of our budget goes to that. For families, education is important. And then there's the rebates that come with it. So, we're not here, I'm not here to tell you that in fact the dollars come out exactly the same depending on your income level. I know there's an incremental cost to about 90% of British Columbians and we want to make sure that you're getting good value for your tax dollars. So, thanks for the question. I hope that clarifies the issue of the automobile purchase from a private person.

**Moderator:** Thank you, Minister. Again, I'd just like to remind everybody if you want to ask a question, you just need to press the star key and then 3 on your telephone keypad.

Our next question is from [caller]. She's from Kelowna and she wants to talk about what it would look like if the HST is repealed. Go ahead.

**Caller:** At the very beginning of the conversation, and thanks very much for having this meeting I think, it's a good use of technology. At the very beginning, you said that if we went back to the HST or the GST and the PST, does that mean it would go back to the way it was exactly before or we would put the PST and GST on all the things that are HST now? Or, I'm not understanding, I guess, what our 2 choices are.



In my mind it sounds like we spent a lot of money changing to the HST and we'd spend a lot of money changing back. Will we be any further ahead? And, you know, I just feel like I'm being taxed to death like I guess too, I was more in favour of the HST when I thought it was all across Canada. But when I heard it was only a couple of provinces, that really irks me. And you know, I've got a 1% cost of living raise and between the HST and the gas prices, you know.

**Hon. Pat Bell:** You're getting ahead of me here. I'm trying to write down your questions seriously, so let me jump in and I'll try and get some of them for you.

So, I apologize for cutting you off there. I just want to make sure I get as many of your questions as I can. So, I think the first one in terms of the cost of switching to the HST model versus PST. It was actually a net gain to the province. So we received \$1.6 billion from the federal government to help us transition over and we were able to transfer about 300 employees from the provincial government to the federal government that used to do the work of tax collecting and assessing the PST system. And that's a net cost of about \$30 or \$35 million per year. So, it was actually a net gain for us.

It came at an important time because as you'll recall, the economy had not been doing well and we were in a severe deficit position and we were able to take that money and not have to borrow the \$1.6 billion that we would have to borrow top rate at the level of services that were being provided. To go back to the old PST/GST model would require a significant cost. We think likely in the neighbourhood of annually \$35 million a year to reinstitute the system.

The one-time cost of about \$1.6 billion to repay the federal government. That would translate to about \$85 million a year in interest because we have to borrow that money, of course. And then also there's a revenue loss because the HST, as you've noted, does produce more cash for the province of you know, half a billion, three quarters of a billion dollars. So a pretty big hole in the budget.

You asked the question, does it mean we will get back to exactly the old PST system? And I can't tell you that tonight, we will and are doing that analysis, but if you add the numbers up the \$35 million, you know, operating the PST system, the \$85 million that it would cost for interest to service that additional in place \$85 million in debt. The lost revenue seem pretty clearly, there's a big hole in the budget that has to be filled somewhere.

So, we want to make sure you make a good decision and we'll try to provide you with as much information prior to the time that you vote on June 24th or shortly thereafter. But, I can't tell you that exactly this evening. Finally, I just wanted to point out, you said that you, I think you were of the view that BC is the only one or one of just a few provinces that has an HST system. In fact, there are only 4 that don't. And those are Alberta, Saskatchewan, Manitoba and Prince Edward Island. So, all of the other maritime provinces other than PEI do and of course, both Quebec and Ontario have an HST system. So, it would primarily be that, you know, PEI obviously is one but primarily, Alberta, Saskatchewan and Manitoba.

**Moderator:** Our next question is from [caller]. She's from Westbank and she has a question about what HST is on...

**Caller:** Hello?

**Moderator:** ..in terms of services. Go ahead

**Caller:** Hello. I'm just questioning why when the HST came in, that everything that is covered now that was PST exempt, like the PST used to be exempt from different services. We didn't have to pay for skiing or hockey or anything that the kids are using. All of a sudden all that is 12%. I know that GST was there but legal services didn't have PST on them. All kinds of services did not have PST on them and all of a sudden it is all covered, like it's such an inclusive tax.

Therefore, people are angry. We are paying so much more tax to go to the show. Another 7% on our when it used to be only - Like when seniors only have a limited income and they're living on that basic guaranteed income supplement, their standard of living is absolutely hurt with this?

**Hon. Pat Bell:** Thanks, [caller]. Appreciate your comments. And your assessment is correct. There are many items more that are taxed under the HST system. Our math says that about 80% of your spending would be taxed at the same level as it was before, and about 20% of your spending would have the incremental 7% on it. So we've done a pretty detailed review and that information is available on the website, which is [www.hstinbc.ca](http://www.hstinbc.ca).

But again, I'm not here this evening to try and sugar coat it or, in any way, suggest that there isn't another revenue stream and that people aren't paying more tax. We understand that. But that money, of course, goes to services to make sure that we provide the best possible service as we can.

You did mention a couple of specific ones that I just want to cover off. You talked about supporting equipment, different sorts of initiatives that would hopefully lead to a healthier lifestyle and support, particularly seniors. And you should know that as part of Premier Christy Clark's platform, she did commit to looking at tax relief on that sort of those sorts of activities. You may recall back in 2000..., I think it was late 2004, early 2005, she held a news conference and talked about the importance of creating opportunities for people to get their kids involved in sports and leading healthier lifestyles. It's something she believed in and she continues to believe in it now. And I know she wants to move forward on that initiative.

I'm going to put you down, I hope this is okay, Theresa. I know you can't... you're just listening at this point. But I'm going to put you down as a supporter of reducing the tax or eliminating the tax on kids' sporting activities, that sort of thing. And I would encourage you to go to [www.hstinbc.ca](http://www.hstinbc.ca) to actually make sure that your proper thoughts are registered.

Just for all the callers right now, I just want to let you know that altogether so far, we've had about 18,000 people signed on to this call through the seven ridings in the Okanagan. So I really appreciate everyone taking time out of their evening, this evening, to come and listen to us. And Lisa, with that, let's go on to the next question.

**Moderator:** We have [caller] from Vernon, and [caller] has a question about where the HST proceeds go and where can people get an HST rebate. Go ahead

**Caller:** Hello. It's nice to talk to you. What I was wondering about is what improvements have been made through the extra money that's been received from the HST proceeds? You've already answered my other question

**Hon. Pat Bell:** Thanks, Rhonda. And your MLA is sitting right here beside me, Eric Foster. Eric?

**Eric Foster** Good evening, hello.

**Hon. Pat Bell:** The primary focus was to not have to go further in debt, [caller], for the \$1.6 billion that the Federal Government provided us in transitional funds. So, because they provided us with that money, we were able to make sure that we didn't go further in debt in our annual deficit than we had to. It has been very challenging economically over the last little bit and so, it was important that we do that. So that was the focus of the funds and there's lots of detail on [www.hstinbc.ca](http://www.hstinbc.ca) if you're interested in getting a bit more. I hope that answers your questions

**Moderator:** Our next question is from [caller]. And [caller] wants to know which tax did you administer on the back end? Go ahead, [caller]

**Caller:** Yes, I'd like to know, there is the HST and the PST and GST. Which tax is more expensive to administer in terms of you know, refunds for businesses, payments for businesses as well as the general public? You say that you took in \$100,000 dollars. What percentage of that would go to administering the HST versus the PST and GST?

**Hon. Pat Bell:** Thanks, [caller] for the question. Appreciate it.

So, it is a complex question but I'll try and keep the answer as simple as I can. So the cost to the Province to collect and administer the PST was about \$30 million per year, maybe approaching \$35 million. That service is now provided to us free of cost by the federal government. It is because it's simply a question of them collecting 11%, probably 12% as opposed to 7% or 5%. My numbers are all over the place tonight, holy cow. I better get this straight.

So, the Federal Government was collecting 5%. It is now collecting 12% and there is no incremental cost to them to do it. So, much more efficient, a savings to the province of \$30-35 million per year. The analysis that we have done of the private sector is that there is a savings of about \$150 million in not having to administer the PST and assess small business owner. Myself, I can attest to the complexity of the PST system. I was involved in that when I was in the logging industry, the restaurant industry. It was very, very expensive and very complex to administer and a big savings, but \$150 million to business and about \$30 million less to government

**Moderator:** Thank you. Our next call is from [caller]. She's heard businesses would drop prices. They haven't seen that just yet. So, she had a question about that. Go ahead

**Caller:** Hello. Thank you for taking my question.

One of the things that were, was told to us when they were bringing in this, the HST, that it was going to save business so much money that we would see savings down the line. Well, I can tell you that we're not seeing the savings. In the last 10 months, if anything, prices across the board have gone up. Everything has gone up, plus we've got the extra HST on top of that. It's extremely frustrating for someone on the low end of the income scale.

**Hon. Pat Bell:** Thanks, [caller]. Sorry, did you have another question there?

**Caller:** No, that was basically it.

**Hon. Pat Bell:** Oh, great. Okay. Well, thanks very much, [caller].

So, the best information that we have and this was released last week in the Independent Panel reports. So, this is not government saying it, it's a panel of experts including George Morffit suggested that the price decreases actually will occur over time and likely what it is, is a reduction in price increases. And I think that's probably the best economic science - economics is a science - it tells us that, rather than a decrease in price, it is a slowing of price increase. Most of the science says that that occurs over a year to 2 years.

So, I think that's kind of what we will see over time: the slowing of the price increases. Also it's important for you to remember that we do provide the HST rebate and that goes over to a million British Columbians. 1.1 million British Columbians receive the HST rebate and it's about a quarter of a billion dollars per year that goes out. So, \$230 per person, depending on the size of your family that kicks out at around \$50,000 dollars for a family of 4. They would no longer be eligible for that so it gets scaled in. So [the credit] is intended to help offset some of those costs.

I should just mention as well that, I understand we're up to 23,000 people that are participating or participated in this call. So congratulations to everyone. You're clearly interested in getting more information on the HST and we appreciate you staying on the line tonight.

**Moderator:** Thanks, Minister. Our next question is from [caller]. She's from Vernon. And she has a question about actually having a debate on the HST, a televised debate. Go ahead.

**Caller:** Yes, thank you for taking my call. I was just wondering if you would televise this debate about HST. You say, you're sending out a pamphlet or information on it and a lot of people have trouble, you know, reading especially if it's a lengthy issue. I was just wondering if you could televise it and after you've sent the people this, I don't know, those brochures or whatever you're sending, if you could just televise this so that they could refer to it but understand, you know, understand it better?

**Hon. Pat Bell:** How true. Thanks, [caller]. Appreciate that.

So, I had mentioned earlier on that there are a series of dialogues that are hosted by the colleges and universities around the province. I think that what we have heard pretty clearly from the public is they just want the straight facts. They're tired of hearing people that are opposed to HST on ideological grounds. They're tired of hearing frankly, from politicians who are saying that HST is a good thing. So

we're trying to simply provide you the facts. So to that end, rather than having debates, we've asked the colleges and universities in the province to host these dialogues. There's one in Kelowna, I know that's a bit away from you. They're in Vernon, on May 30th from 7:30 to 9.

But as a result of your comments, I'm going to call the Shaw Cable folks and see if they would be willing to help provide that information to you. Shaw is usually pretty good. They like to get information out to the community and I think it would be great if they would videotape some of these dialogues that are presented by the universities and play them over. So, I hope that would be helpful to you. I hope that Shaw takes us up on that offer. And also, just to encourage you to go to [www.hstinbc.ca](http://www.hstinbc.ca) because there's lots of good information there and you can certainly get lots of questions answered there. So big thing, go out if you're listening, [caller], and taking the time to really think through your decision before you mark your ballot.

**Moderator:** Thank you. Our next call is from [caller]. Question about alternatives to the HST. Go ahead.

**Caller:** I think, that's me.

The question really is, is there a way legally for the government to present an alternative prior to this referendum? I don't know if that is an option of it's something that we have to wait until we completely throw out the old, the new rather, and go back to the old and then try and figure out how to balance the budget?

**Hon. Pat Bell:** Oh, I'm so glad you asked that question, [caller]. Thanks so much.

And yes, we will be presenting publicly what the option will be. We've heard very clearly under Christy Clark's leadership that people are unhappy. That's why I'm on the phone tonight with Blair Lekstrom, my colleague from Peace River; as well as Kevin Falcon Finance Minister are both on the phone tonight to other parts of the province. There are 23,000 on this call.

It wouldn't surprise me if they have the same so it's probably 75,000 people tonight thinking about the HST and talking to us and asking questions. So, our commitment is to make sure that you have the best possible information you can get prior to June 24th when you are asked to mark your ballot. And if we are able to make changes to the HST, we will clearly articulate so you know exactly what our commitment is so when you mark your ballot you will do it with the best possible information you can. So, thanks so much, Jim. That's an important question

**Moderator:** Thank you. We're going to take the opportunity now to do the second of our feedback questions to get your feedback on the HST. Again, I'll ask for your preferred answer by pressing the number on your keypad. Please listen carefully to the options. I will read the question and the options twice. Here is the second feedback question.

If British Columbians choose to return to the PST plus GST system, there will be a negative impact to the provincial budget. If you could pick only 1 option to make up the revenue difference, which of these would you choose? There are 4 options.

Increase the PST rate, press 2.

Raise personal and corporate income taxes as well as other taxes, press 3.

Run larger deficit, press 4.

Or cut government spending, press 5.

I'll repeat the question again and the answers.

The question is, if British Columbians choose to return to the PST plus GST system, there will be a negative impact to the provincial budget. If you could pick only 1 option to make up the revenue difference, which of these would you choose? There are 4 options.

Increase the PST rate, press 2.

Raise personal and corporate income taxes as well as other taxes, press 3.

Run larger deficit, press 4.

Or cut government spending, press 5. Thank you again.

So, we're going to take some more questions now. Again, if you want to ask a question, just touch your keypad and press the star key and then 3. Our next question is from [caller] and has a question about agriculture and the HST. Go ahead.

**Speaker 20:** Hi, Pat. How are you doing tonight?

**Hon. Pat Bell:** Good, [caller]. Thanks for calling.

**Caller:** Well, I'm just wondering how the HST is going to benefit agriculture

**Hon. Pat Bell:** Well, it is one of the industries that does very well under the HST model.

You will recall I was Minister of Agriculture about 3 years ago or so, I guess. So the message that I consistently heard from the farming community was they were very frustrated with the PST model on how they need to get special exemptions all the time. There were constantly people looking for other products that they could exempt another piece of equipment or tools or parts or all that sort of thing. Under the HST model, of course, all of that is considered as an input tax credit. So, it is a significant savings from the agricultural industry's perspective. Lots of different data around, but big administrative savings. No longer have to have 2 taxes, nice and clean and simple. And agriculture I think clearly is one of the industries along with forestry and mining would be 2 of the other ones that are big beneficiaries from HST.

**Moderator:** Thank you. Our next question is [caller] in Kelowna. And he has some comments on the tax on resort communities. Go ahead, [caller]

**Caller:** Good evening, Mr. Minister. This is most appropriate, this forum being so important that it's worthy of spending more time on this.

I have some observations after 10 months of experiencing the HST and my concern is both for small communities in particular the resort communities who have experienced a significant downturn in the sale of lots and new home or condos since the implementation of the HST in July of 2010.

Our product has become too expensive. As a result of this downturn, developers, home builders, trades and supplies have not been able to maintain their normal current business levels which now in fact are starting to adversely affect the community at large. To correct this important issue, I have a couple of recommendations I'd like to share with you and your colleagues. My first recommendation is to put people back to work and give an opportunity for our builders and suppliers to regain their business. Our first suggestion is to grandfather our lands, homes, and condos that were in inventory prior to the July 1st implementation of the tax. This would aid in the sale of the existing inventory which must be moved to put our people back to work. All new developments going forward including land, homes and condos would be subject to the HST tax in the future. My second recommendation is effective the first of July, exempt HST tax on the purchase of all new secondary homes, condos and lands in resort communities that primarily cater to provincial recreation and tourism activities.

That removal would help communities to regain their popularity and economic improvement. And finally, the third recommendation is to simply to bolster and to promote the construction, recreation and tourism eliminate the property transfer tax on the purchase of all new homes and condos in resort communities. This incentive would help to recapture the Canadian residents who seek the purchase of second homes or recreational property in the USA or other jurisdictions. We're losing business abroad and we don't have attraction to reinvest or invest in our own province.

**Hon. Pat Bell:** Thanks, [caller]. Appreciate it.

So this is very similar to something I heard last week. So, I have your recommendations down, the grandfathering clause for properties that were built prior to July the 1st 2010. The secondary homes. So, if you have purchased as an example, a condo on a ski hill or something of that nature, the property transfer tax certainly is another issue that is separate from the HST. But, I've heard this in my travels as a Minister responsible for tourism, that the secondary home issue and HST is an important one. So, just to encourage you as well, Robert, if you would go to [www.hstinbc.ca](http://www.hstinbc.ca) as well and register your comments 'cause I think that's important.

**Moderator:** Thank you. Our next question is from [caller] from Summerland and he has a question about the duplication of services. Go ahead.

**Caller:** Yes. Glad to be on the phone speaking with you.

What I have to say is about duplication of services. You say that if we drop the HST 1 percentage point, we would lose \$850 million. In one instance alone, MSP and Pharmacare should be joined together because as this stands now, they don't talk to each other. You can't get them to talk to each other and it's just a duplication of services on their half and also on my behalf because I have to send in forms to both of them that say exactly the same thing, have exactly the same copies in them to get anything done. And one always takes longer than the other. If they could do everything together, we would save



a lot of money. And that goes for a lot of other services as well. And I think you could save money and still reduce the HST. And I believe the HST is good if we could do these things. That's all I have to say about it.

**Hon. Pat Bell:** Thanks, [caller]. Appreciate the call and you know what, that's actually the first time the issue of MSP and Pharmacare has been flagged for me. I do have someone from the Ministry of Finance here with me just to make sure that I hopefully get all the answers right this evening and he looked at me and nodded his head and said, you know what, that's a very good point. We should be looking at that. So, thanks, Bob. Appreciate it.

That's what these Town Hall meetings are good for and who knows, maybe it just changed taxation policy in the Province of British Columbia for the coming decades.

**Moderator:** Thank you. Our next question is from [caller] and he wants to know about the HST and creating jobs. Go ahead. Hello?

We'll go into the next question. Our next question is from [caller]. She's from Christina Lake and she is wondering how the government is (taking?) people where the HST is good for small business. Go ahead, [caller].

**Caller:** Well, hello. Thank you. Good evening, Minister Bell. Thank you for this town hall meeting. It's just excellent. I think it pretty much answered the question. I think that the HST is very good to have it implemented, put it together. The PST was a pain to do mostly. Having the HST is really good but I certainly see a lot of people out there who think that they are having a whole bunch more of services taxed. A lot of people didn't realize that labour was already being taxed in many instance like us with (???) for instance. I just wondered if you are or, you know, how to make people more aware that it is excellent for small business.

**Hon. Pat Bell:** Well, thanks very much, [caller]. Christina Lake is a beautiful place. I'm envious that you get to live there especially for the summer months.

So, but the question you asked or the comment you made I think is up there. And it really is a question of very poor information out there and we take some blame for that. There is no question that all of my colleagues and I share responsibility for not getting good information out earlier. Under the leadership of Premier Christy Clark we're endeavouring to try and do that and do it in an unbiased way so that people just have the facts and can make a fair decision. I did mention earlier on, this evening, that our analysis is, and in fact the Independent Panel report also states that, on average, about 80% of spending has not changed in terms of the incremental tax associated with it; about 20% of your spending does have the incremental tax that did not have it before. So, that's I think a general rule of thumb.

It does, in fact, have a cost, we understand that, but it also supports the economy and makes it much easier to administer a small business and small businesses generate over half of the jobs in the province of British Columbia. So, we know that helping small business is always a good thing.

**Moderator:** Thank you. Our next question is from [caller] and they want to know what will be the price tags for BC if the tax gets repealed. Go ahead. caller?

**Caller:** Hello.

**Moderator:** Go ahead. You can ask the question.

**Caller:** Can you hear me?

**Hon. Pat Bell:** Yeah, you're back, [caller]. Go ahead.

**Caller:** I was just wondering so why this conversation didn't happen before Gordon Campbell left office? Why is this happening now and not then? We should have had it. We should have had a voice then and not now. So, can you answer that?

**Hon. Pat Bell:** Well, true, [caller]. I'm not going to make any excuses. It is what it is and we are where we are.

What I know is that we've got a brand new Premier in the Province and she has mandated that we have as clear open accountable government as we possibly can and that includes other initiatives that we are participating in. I was involved in a town hall meeting in Richmond and another one coming up this week. So, those initiatives are something that Christy feels strongly about and she has pushed all of us to participate in so I guess we're just saying, you know that we hope to put the past behind us. We know we didn't do a good job with implementation and we want to provide you the information that you need in order to make a decision in as unbiased a way as we possibly can. And whatever decision you make is the one that we are going to take and implement. So, [caller], new government, new pace. It's all about change and trying to listen and be accountable to the public.

**Moderator:** Thank you. Our next question is from [caller] from Kelowna and his question is how much will we save when we switched over to the HST. Go ahead, [caller].

**Caller:** Thank you very much and I really appreciate this thing.

The first thing you've already answered me and I didn't realize that \$35 million dollars are now, when the PST was in operation, that \$35 million a year was costing. Now the people, who are now, who are doing the PST, where did they go?

**Hon. Pat Bell:** Most people are Federal - currently located with the Federal Government. So, they got moved over to the Federal Government and the Federal Government just accumulated them and are utilizing them and it really doesn't require any more people to administer.

At least, I can tell you as well, just so you know, we are now up to over 30,000 people that have participated in tonight's call. So, a big congratulations to everyone throughout the Okanagan and all southern and northern part of the Okanogan and up at the Shuswap, I really appreciate you coming on and staying on this evening.

**Moderator:** Thank you, minister. Our next question is from [caller], from Armstrong and her question is why is there only a rebate for low income people? Go ahead.

**Caller:** Hi. My question was is why is there rebate given to what you call low income families and no one else and the reason I'm asking that is when I have a family of 7 children with my husband and myself, and even though we are not what they classify as low income, we're not under 38,000 we were still under 50,000. We don't get rebates. We pay full medical.

The HST, when it was implemented and came out, you're right, 80% didn't change. The 20% that did was, again, for families with children - I end up with 2 taxes on sports and recreation, 2 taxes on my children's clothing I've never had before, 2 taxes on school supplies. People, the majority of non low income, not low income wages but people such as on welfare, they get a full family allowance. I don't get any. They get housing supplements that come in for their low income housing. They also get money given to them at the beginning of school start-up. They help them with the school supplies.

**Hon. Pat Bell:** I just need to ask you one question if I can.

**Caller:** Sure

**Hon. Pat Bell:** I wasn't sure that I understood that you have 7 children for a total of 9 in the family or is that a total of 9 in the family?

**Caller:** Yes, I do

**Hon. Pat Bell:** So, a total of 9 in the family? Okay. So, let me tell you that - so, let me just jump in here.

Because there's a, you've asked a bunch of questions and I want to try and get to as many of them as I can. The first one and this is the most important one and if this is not happening, we need to know this and I would encourage you, Armstrong I think is Eric Foster if I'm not mistaken? No, sorry, George Abbott is the MLA; so if you're not currently getting the HST rebate, you need to go to George Abbott's office and talk to him. The rebate amount for you, for a family of 9 could be potentially up to over \$2,000 - \$2,070.

Now the income level that you would lose the total benefit of that would be something around 76 or \$70,000 in income. So, you said earlier that you were lower than that and in fact if you're in the \$50,000 range, you would have a substantial HST rebate every quarter. Now maybe that's being direct deposit to your account. If it is, you might not have noticed that it went up. But it's part of the GST rebate. So, as of July the 1st 2010, you would have seen this larger amount of money coming on your quarterly GST rebate. So, I need you to look at that and make sure that that you're getting the advantage of it and if you're not, I'd encourage you to go and see George Abbott or any MLA or go to any government office.

Eric Foster, of course, would be happy to help. He's with me in the room tonight. So he's nodding eagerly and saying yeah, come on, see me. The other thing you mentioned that a bunch of the exemptions and now, I'm going to have forgotten some of them, So I apologize for that. I do know you mentioned children's clothes. The difference there is we went to a children's size clothes as opposed to

children's clothes. So as a question of the size of clothing, so much of the clothing that you would have purchased in the past for your kids would still qualify. It's just easy to admit, easier to administer when it's a size as opposed to an age factor.

And you also mentioned I think some items around things like sporting equipment and product cost, the cost for your kids to participate in different sports. I can tell you that Christy Clark, our new Premiere has committed to bringing forward a new model for tax to encourage people to participate in sports, in particular the youth and I'm anticipating that we'll be seeing that around the corner here. So, lots of good questions tonight. I totally appreciate them. Please make sure you're getting that HST credit. That's very very important and if you're not, we want to know about it and make sure you are getting it.

**Moderator:** Okay, thank you. Our next question is from [caller] and he has a question about HST and this tax system. Go ahead, [caller].

**Caller:** Yes. I'd just like to know, HST was originally put forward as being revenue neutral and obviously it's not. It's costing some people more money. Why is it not possible to go back to that premise now, making it revenue neutral and then address the implications of the lower tax revenue by the province? It would seem that that's a much more straightforward way of addressing the issue.

**Hon. Pat Bell:** Well, thanks, [caller] and I think that's a good suggestion. I'm going to mark it down as that you are in favour, perhaps considering a decreased rate to the HST to reflect revenue neutrality.

There is some confusion about this issue out there. The commitment around revenue neutrality actually related to the carbon tax and I know there's lots of people that believe that it also relates to HST. I've provided this many many times so you're not alone in your belief that that is the case. But the actual commitment government made and we've upheld that commitment was revenue neutrality around the carbon tax. Of course, your income tax went down when the carbon tax was implemented. But your point is a fair one and what I am going to read into your comments is that you would be in favour of reducing the HST rate in a way that would reflect a revenue neutral model.

I'd also encourage you to go to the website which is [www.hstinbc.ca](http://www.hstinbc.ca) and register your thoughts there as well because we're going to be incorporating all of that into our final decision prior to June the 24th when we ask you to vote. We will be presenting you with our thinking on what we could do to improve the HST.

**Moderator:** Okay. Thank you. Our next caller is [caller]. He's from Sorrento and he has a question about how the HST applies to business which is spread across Canada. Go ahead.

**Caller:** Hello. Thank you very much for doing this. I really am impressed by this kind of system that you guys implemented. It's really great to be able to participate in things like this.

But I'm very confused about the HST applied across Canada, I do custom machine and, I have clients all across Canada and into the US. When it first came in I thought that I only had to collect HST for BC. But I was informed by some fellow vendors and stuff that I actually have to collect HST clear across Canada and keep track of all the different tax on that which is getting to be a real pain in the butt.

**Hon. Pat Bell:** Well, thanks, Stan. I appreciate your call and Sorrento is another one of my favourite spots in the province.

So inter-provincially, there are some challenges around this, and we want to make sure that the administration is as easy as it possibly can be. The most important thing is the rules under the HST and the GST system were the same. So, what we've been able to do is completely eliminate the PST component of the system so that you didn't have that overlapping administration in your machine business and I have friends in Prince George where I come from that are in the machining business as well. So, the current model is similar to GST would have had to do that work anyways under the GST model and the removal of the PST hopefully will reduce the involvement that you will have with the taxation system.

In addition, of course, you get to claim the input tax credits against any tax that you have had to pay out in the process. So, the answer I think is - the complete elimination of PST and the work that you're doing you would have done under the previous GST system as well.

**Moderator:** Thank you. We have time for a few more calls. Our next call is from [caller] from Kelowna and he has some questions around tourism and the HST. Go ahead, [caller].

**Caller:** Thank you, Minister Bell, for doing this.

One comment before we got into this -You just a little while ago mentioned neutral or HST being revenue neutral, I was in my MLAs office, Steve Thompson, and he told me it was a revenue neutral - and I understand how that confusion got out there.

But my issue is the tourism business. I think at this state, the tourism business is taking a fair hit. We're in Kelowna and I also have some interests up on the ski hill out in the area and I am now subject to HST with essentially very little by way of input tax credit because most of my expense of course was interest and other things. So, the cost to clients has gone up. My bookings are down and when they get to the resort, then they have to pay HST on all their restaurant meals and all that stuff they didn't have to before and I think there's been a real shift in the way this tax affects people. It benefited mining and forestry and agriculture, but it has taken, it's punished other industries and I think that's got to be recognized as you go forward.

**Hon. Pat Bell:** Thanks, [caller], and you know, when you talk to [caller], we get updated by stats Canada on a regular basis and initially as stats Canada told us, they believed that we would be about revenue neutral, that is not the case and we've been trying to be very upfront with that for people.

We didn't want people to think that we weren't being upfront with them. In your case, [caller], with regards to ski hill and I'm not sure I missed the other tourism activities you're involved in earlier on. There is no question there has been incremental cost associated with tourism, with that type of thing. One of the things, I'm just kind of making this note, and I've encouraged you to go to [www.hstinbc.ca](http://www.hstinbc.ca) to register your thoughts on this. But as I said earlier, Christy Clark has been really clear in terms of her

interest in reducing cost for families, in particular around sporting activities and making sure that kids have the opportunity to stay healthy and participate in the activities as we all did as kids as we grew up.

So you might want to go to the website there, [www.hstinbc.ca](http://www.hstinbc.ca) and register your thoughts around sporting activities and how they might be reduced. So we're prepared to consider targeted relief. We've heard from people perhaps a reduction of a percent or 2. Others have suggested specific relief around different types of initiatives that weren't previously taxed and just encourage you to think about that and I'm going to mark you down just in my book anyway as someone who's interested in tax relief for sporting activities and tourism activities.

**Moderator:** Thank you. Our last call is from [caller], he's is from Armstrong and he has a question about how referendums will get passed and what majority is needed to pass this one. Go ahead, sir.

**Caller:** Good evening and thank you for giving me this opportunity.

It's been most interesting. Before I pose a question, I'd like just to make a couple of comments. I'm in favour of the HST and to those people that are against it, I would ask them where they think the money is going to come from to improve our infrastructure and pay for our aging population's health care.

My question is that my understanding was that the legislation which was used to force this referendum on the government of today stated that a majority of 60% was needed. Subsequently, I believe that Premier Campbell said he would accept the simple majority. Are we still going with the simple majority or are we following the letter of the legislation which I believe requires a higher standard for the legislation for the HST to be overturned?

**Hon. Pat Bell:** A really good question. So, there's a couple of things that have occurred.

Previous Premier Campbell did commit to changing the threshold of which was required to pass the referendum. So under the Initiatives and Recall Act, it would have required 50% plus 1 of the registered voters of British Columbia to vote to remove the HST. That is a very very high threshold. In fact, probably unlikely to be successful in, I believe almost any event because in most general elections, only about 50% of the people vote. So, you'd have to have a 100% of the people that voted vote to remove the HST in order to meet the threshold.

Now, we thought that we needed to be responsive and listen to the public on British Columbia. So previously Premier Campbell did commit to the 50% plus 1. Now we have since switched from the Initiative and Recall Act to the Referendum Act. In fact, our legislation has been in front of the house this past week or so to allow that to happen. The referendum act, inside the act, requires 50% plus of whoever votes in order for the referendum to be passed. So the threshold is actually enshrined in the Referendum Act and continues to be a 50% plus 1 of who ever votes.

We want to make sure that everyone has the opportunity to vote and that's why we decided to have the mail-in ballot instead of the actual ballot all taking place on one specific day out of June the 24th. So it's very important vote for everyone and really pleased that you're taking the time to think this through and make a position clear.

**Moderator:** Thank you. So our time's almost up for tonight's town hall. Minister, do you have a few closing words for us?

**Hon. Pat Bell:** Well, thanks so much, Lisa, and I want to thank everyone on behalf of my colleagues, Eric Foster, Steve Thompson and, Norm Letnick, John Slater, George Abbott, everyone up and down the Okanagan Valley.

This is an extremely important issue for British Columbians and whatever the outcome is, we are prepared to accept the outcome. But we want to make sure that all of you as voters have the best possible information you can have prior to marking your ballot. You deserve nothing less than that. In fact, we know that there has been lots of information out there that people question whether or not, and that's why we decided to go with an Independent Panel with people like George Morfitt, Jim Dinning who are very respected individuals to put together the information.

We know that this is controversial as an issue, but I think that the Independent Panel report really provides the type of information you'll want to have prior to making your decision. The combination of that along with the public forums that are being held by universities across the province. I'll just remind you that May the 30th from 7:30 to 9:00 at Kelowna Okanagan will be one of the ones in your area. The website and the voter packets that will be coming out. All will hopefully provide you with that information.

I think it's tremendous that 30,000 people, over 30,000 people decided to take part and get, I think, what hopefully has been a good balance of information. And I know I've appreciated the questions that all of you have asked. So on behalf of my colleagues, thank you so much for taking your time out this evening and we look forward to being able to continue to communicate with you again in the future.

**Moderator:** Okay. Thank you, Minister. Just a reminder that if you didn't get a chance to comment or ask your questions, you still have an opportunity to do so.

If you stay on the line, once the call is finished, you'll hear a prompt and then will be able to leave a message. Thank you again for participating and thank you, Minister, for your time. And again, if you want to leave a comment, just stay on the line.

Now, I'm going to sign off the town hall. Thank you so much for your time tonight. Goodnight.



## FRASER VALLEY TELEPHONE TOWN HALL SUMMARY

Date: May 10, 2011

Host: Minister of Finance, the Honourable Kevin Falcon

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
144,771	31,622	24,108	19	76%	284	22

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the seventh of eleven regional town halls conducted by Government with British Columbians.

Minister Falcon responded to 22 questions and/or comments during this call. Issues that arose from citizens of the Fraser Valley included the following:

- Exemptions or mitigations for specific products or industries: School supplies, equipment for children's activities, high efficiency vehicles, snack foods, real estate, family run businesses
- Will people receive a rebate on the HST they have paid since it was introduced?
- Impacts on seniors and middle income British Columbians.
- Concerns about the film industry if the Province returns to the PST.
- Lowering the HST rate.

While some callers support the HST; other callers raised concerns about industries who provide services and the impact on these businesses – restaurant, construction, funeral services including driving the underground economy and cross border shopping. Callers also mentioned specific concerns about the employees of service industries and the claims of job creation in general.

Confusion remains about the application of the tax on specific products. University and gas were two things mentioned that should be exempted – Minister Falcon pointed out they already are exempt from the Provincial portion of HST.

**May 10, 2011 Transcript: Fraser Valley Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST town hall with BC's Minister of Finance, the Honourable Kevin Falcon. My name is Marisa, and I'll be the moderator for the town hall this evening.

Before we begin, I like to say a few words about how this town hall will proceed. The Minister will have some short introductory comments off the top then we'll proceed with a live question and answer period. A word about privacy: this call is being recorded and will be transcribed and posted on our website. So if you do not want your ideas, comments or opinions to be part of the transcript, I recommend you remain in listening mode.

Although, we will include as many of your questions and comments as possible on this call, please keep them short and to the point. If you wish to ask a question during the town hall, please press star 3 on your keypad and you'll be connected to an operator. For your privacy, please use only your first name when speaking to the operator. We want to hear a wide variety of views and questions from the audience tonight. So the operator will make sure we reduce duplication of comments. When you hear me announce your name, your line will be open, and you can ask the minister your question. After you've asked your question, the line will be muted so the minister can respond and you will be placed back in listening mode. Please note there will only be questions and answers during this town hall. We won't have time for follow-up questions. I ask that you use polite language on the call. Anyone using bad language or swearing will be cut off.

Later in the call, you'll be able to provide your feedback on the HST directly to government by answering a couple of multiple-choice question. These questions are not scientific; rather they provide an opportunity to engage you on some important questions about the HST in BC. Thanks for your patience everyone. We'll do our best. We may not get to everyone who has a question or comment with the minister tonight. However, if you stay on the line until the end of the town hall, you will have a chance to leave your comment and record a message. Again, if you want to ask the minister a question, please press star 3 on your keypad. I now like to turn this call over to Minister Falcon for opening remark. Minister?

**Hon. Kevin Falcon:** Well, thanks very much, Marisa, and thank you and good evening to all of you who are joining us on tonight's town hall. I do want to let everyone know that I'm joined by a number of colleagues that are on this call. John Les, the MLA for Chilliwack, Minister Mary Polak, the MLA for Langley, Minister Barry Penner, the MLA from Chilliwack-Hope, Marc Dalton, the MLA from Maple Ridge-Mission, John Van Dongen, the MLA from Abbotsford South and Randy Hawes, the MLA from Abbotsford-Mission.

We're one of the first governments to utilize this technology, and I have to say it has been a great success thus far and we really appreciate that you've all taken time to join us this evening. It's really a great opportunity for all of us to hear directly from you and listen to what you have to say about what is a very important issue facing all of us.

## Check Against Delivery

I want to just start off by being very clear about acknowledging the fact that we, as a government, did a terrible job in introducing the HST, and frankly, not explaining any of it at all to the public. We take responsibility for that and it's partially why we're on this call tonight. It's a way of, first of all, making sure that we can provide some information. So if you have questions, I will do my best as Minister of Finance to answer all of them for you. Also, to make sure that you have that information to make an important decision on whether we stay with HST or go back to the two-tax system of the PST plus the GST. But it's also to listen to your ideas on how we might improve the HST and generate increased support. At the end of the day, we believe is very good tax policy.

Now, just to recap the HST. Under HST, we know that 80% of consumer spending remains unchanged. In other words, there used to be a 7% PST and a 5% GST. That 12% is unchanged for 80% of consumer spending. But on 20% of consumer spending, there is now the additional 7% which used to just have the 5% GST and that's what happens when you harmonize, and that's the additional cost that people are paying that we often hear about.

Now, you say to yourself, why on earth would government do that and create all this kind of headaches, that we've created ourselves? Well, the reason in short is that there are some significant benefits to undergoing that harmonization. The first is, for us as government, it reduces some pretty significant administrative costs. We no longer have 300 tax auditors working for the province at the cost of \$35 million a year to do all the paperwork and auditing associated with a separate provincial sales tax. It then saves small business \$150 million a year just in compliance costs alone. That is their cost of having to not only adhere to the paperwork and auditing associated with a GST tax but also with the separate provincial sales tax.

What's more, there are about 1.1 million low income British Columbians who, today, are receiving an HST credit of \$230 per individual including children for those with their family income of up to \$25,000. It continues higher than that, but it drops off by an amount for each \$1,000 above \$25,000. But under the PST, it's important to know that if we go back to sort of the way it was under the PST, there was actually only a maximum benefit of \$75 and that was for individuals not including children. And that credit was phased out once family income hit just over \$18,000. So tonight, I want to hear your thoughts on the HST and ideas that you may have on how we can improve it. It's important to understand the one perspective that is that any ideas that we have that have significant cost associated with them, they're still very legitimate ideas. But we have to make sure that whatever decision we make in terms of improving the HST, we do it within the context of making sure that we meet our commitment under our balanced budget law that we passed as a government to ensure that we get back to balanced budgets within the next two years of our existing fiscal plan. We also recognize that we still need to meet the growing demand – I wish they weren't growing – but they are the growing demands for increased investment in healthcare and education in particular.

Final note, at the end of June, early July, you will be able to vote on whether or not we keep the HST or return to the PST plus GST. So just keep in mind that starting on June 13th, you will start receiving ballots, and it will have all the information on how you fill them out and send them back in. So

remember, there's no such thing as a dumb question. I'm looking forward to going through as many questions as I can. Thank you again for joining us tonight.

**Moderator:** Thanks, Minister. And Minister, I'd like to perhaps start off with a question this evening that I'm sure many people are wondering about. Why did the province choose to hold the HST referendum using a mail-in ballot, and when can people expect to receive their ballot?

**Hon. Kevin Falcon:** Well, thank you. So Christie Clark, our new premier, committed to moving up the date of the referendum. Initially. It was scheduled for September 22nd. And we agreed to move that date forward so that we could get that vote done in June and July. But we also, we're looking at how we could do that in a way that tries to save as much money as possible in terms of taxpayers reporting on this, because we did hear complaints from taxpayers. But we're concerned about the cost of doing a referendum with a cost north of \$30 million. Under the mail-in ballot option, the savings to taxpayers is about \$18 million.

It's something that we've done before as a government. You'll recall we did one early in the 2000 on the first nation issue. So we have some experience with it. Elections BC is comfortable with it and most of the public seemed to think that that was the right way to go to meet the balance between holding it early but also doing it affordably.

**Moderator:** Thanks, Minister. Before we go to our first question, just to remind people on the line, if you'd like to ask Minister Falcon a question, please press star 3 on your keypad. So first of all, I have [caller] who has a question about seniors and the HST. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please ask the Minister the question.

**Caller:** My question is this. How will the HST help seniors on fixed incomes?

**Hon. Kevin Falcon:** Well, thank you, [caller]. An important question. So one of the reasons why we provided a rebate to 1.1 million lower income British Columbians, which can be seniors on a fixed income, was we wanted to ensure that we tried to minimize as much as possible the additional impact that seniors would now face as a result of harmonizing the PST plus the GST. So for example, that's why we send out cheques four times a year for \$230 per adult. And obviously, this would apply to seniors but also, importantly, for family, for children, too.

So as an example, a single mom who is earning an income of \$25,000 a year and has three children receives \$230 not just for herself but also for her 3 kids. So that would total \$920 a year. Again, that is sent out 4 different times during the year. So the same would apply to a senior depending on what the fixed income of the senior is. If it's up to \$20,000 for an individual, they would get the full \$230. Anything above that amount, it reduces slightly rate up until a high of... trying to remember heading out what that was. But anyhow, it reduces about 4% for every additional \$1,000 of income above there. So the reason we did that was to try to ameliorate some of those impacts that we know that seniors legitimately face

**Moderator:** Thanks, Minister. For those of you who are on the line and you would like to ask Minister Falcon a question, just press star 3 on your keypad. Next question goes to [caller] who has a question around people of low income in the HST. [Caller], are you there?

**Caller:** Yes I am.

**Moderator:** Please, go ahead.

**Caller:** I was just wondering why people in BC who do not pay HST are entitled to the HST refund?

**Hon. Kevin Falcon:** Well, because you know, for a lot of really low income folks, what we want to make sure we do is not make their life any worse as a result of the harmonization. And so, we had an independent panel report that just came out. You probably heard about that last week. It's a very good report. For those of you that have a minute, you can go to [hstinbc.ca](http://hstinbc.ca) and read that report. But as that report pointed out, for the lowest income members of society, they actually come out ahead as a result of the HST rebate. And really for us, as a government, that's just a fairness issue. We're trying to make sure that we protect the most vulnerable members of society by ensuring that, if anything, we give them more than necessary to make up the additional cost that they may have.

he thing to know about HST in a nutshell is that essentially, the more you spend, the more you're probably paying in HST. So really rich people that are out buying yachts and going out to dinner every night and whatever, they are spending lots of money and are going to be paying a lot more than say a senior on a fixed income who is probably, you know, not going out quite as much and not spending quite as much. So we tailor the rebate based on income to try and deal with most of the impact as best we can assess them.

**Moderator:** Thanks, Minister. We're going to go to [caller] for a question now around lowering the HST. And this is a question that's actually coming up quite frequently. And we have a number of callers who would like to have an answer to this question. [Caller], can you ask your question?

**Caller:** Yes, I will. I wonder if you would consider lowering the percentage of the HST say from 12% to 10% because it would make a big difference on a lot of items.

**Moderator:** Well, thank you for that, [caller]. And this is really a suggestion that comes up regularly. One of the things that I think is important for everyone listening to know is that for each percentage point reduction in the HST rate, it costs the government about \$850 million annually in revenue. So, the one thing we just have to be aware of as we think about this option and certainly dropping the rate, 1 point or 2 points. It's something that we can look at, we just have to reflect on the impacts to revenue and making sure that we can still continue to provide the services that people want to see in terms of increased healthcare investment for an aging population, but also making sure that we meet our requirement under our law to balance the budget.

As you know, when we had the international economic meltdown, we went into a deficit. As a result of that, every minister in our government took a 10% pay cut which is required under law, and we don't get that back until we balance the books. And the idea there was to make sure that we have real focus

on getting us back to a situation where we are not spending today and giving the bill to our kids tomorrow. So within that context, that is a very good suggestion, [caller], you need to know about. I appreciate it.

**Moderator:** Thanks, Minister. Next question is from [caller] who has a question around the HST and family. [Caller], are you on the line?

**Caller:** Yes, I am. Hello

**Moderator:** Please, ask the Minister your question.

**Caller:** Hello, Mr. Falcon. In my little world, okay, I've noticed a lot of people are actually not going out and enjoying a coffee and a donut or an ice cream or anything else because of the extra money they have to put out now. I know it's probably more of a mental block, but I feel sorry for the people who earn their living from this type of income because they're simply not going there. I go out weekly with a group of ladies, and I notice the same thing. Yes, most of them are on the lower income, but they haven't got there yet as far as what's going to come in later. I know...

**Moderator:** Sorry, Minister. I believe she got cut off.

**Hon. Kevin Falcon:** Okay. No problem. I think I definitely got the gist. And [caller], I sincerely apologize for cutting you off. If there was something more you wanted to say, please phone back, and they'll make sure you can finish your question. I think at the end of the day, what [caller] is pointing out is look, there is an additional impact, and there is, folks. I want to be really clear about that. In fact, the independent panel pointed out that for the average family, there is an additional cost of about \$350 per year. So, I don't want to pretend that there is no additional cost by harmonizing the PST plus the GST. The reason why we do it is because, overall, we believe that the incentive it creates and the investment that is an attraction to the province, [inaudible] some of the additional costs that are imposed in this sense.

Prior to us harmonizing, a lot of us were paying what I call the invisible PST without every noticing it. So businesses that were paying PST on their power, their heat, their rent, their computer equipment, vehicles that they're purchasing. All of those PST cost they were paying, they pass along in the form of higher prices for whatever their good is that they're selling to us as British Columbians. And under a harmonized sales tax, what happens is all of those costs get removed, and so there's a significant benefit for those businesses that, the evidence shows pretty overwhelmingly, right across the country, that those costs are ultimately passed along. Those savings are ultimately passed along to consumers in the form of lower prices. Now, in fairness, some people just don't accept that, they don't believe it, and there's nothing wrong with that. But I think it's pretty clear. If you believe in a competitive marketplace, that we have in this province, and you think that competition generally drive prices lower, then you will accept that argument. If you don't then you probably won't accept it. But I think that, [caller], you need to note here that the increased impact is something that you recognized and it's something that we should deal with and I thank you for that.

**Moderator:** Thanks, Minister. We will not go to [caller] who has a question about the HST in the middle class. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Great. Could you ask your question?

**Caller:** Sure. Good evening. Does this government realize that this has really affected middle class families, the quality of life for the families such as eating out, parking, buying teenager clothes, prepared food that helps you get food on the table? And also, does the government realize that people are going over the border into Washington to do the shopping that they need to do because they just can't afford to do their business in BC, and the government is losing millions of dollars because of that?

**Hon. Kevin Falcon:** Sure. Yeah. And [caller], I'm from Cloverdale. So I'm very much aware of the lure of cross-border shopping for sure. I think, you know, [caller], it's interesting. I had this question on a call I did in a previous telephone town hall. I think the important thing to recognize is that the cost for retail has not changed. It was 7 plus 5 before we brought in HST and it is still 12% under the HST. In other words, for clothing, for electronic products, TVs, all the kind of things that we typically go out to a retail store and purchase has not changed. And I also think it's important for us to remember that when we cross the border to Washington State, they also have a 9.5% tax that covers everything including restaurant meals, too. So I'm not saying that people don't cross the border to do shopping, they do. And they often do because they still think, you know, the prices are better there. And in some cases, they are. I would argue that in some cases, they have a more competitive retail environment that might see some lower prices on some goods. At least that's what some people tell me. But I think if you think about the HST and what it was before, there's been virtually no change on the retail sector, except I will give the one exception I do hear about. Children's clothing is exempt. But some people have pointed that adult-sized kids or larger kids, you know, get bumped over to children size clothing amount, and they end up having to pay that additional 7%. So I do want to acknowledge that. But for the most part, retail spending tax has not changed at all for the vast majority of products.

**Moderator:** Thanks, Minister. We like to go to [caller] now who has question about the HST and children's clothing. [Caller], are you there?

**Caller:** Yes, I am. Yes, Minister. I would like to say, I would like to keep the HST. There are a few areas of that I would like to see changed and that is for my grandchildren. Now, would there be HST on going to university? And I would also like to say that young families, yes, are having a hard time and also that I'm a senior. And sometimes, it is hard going out and it's very hard buying gas. And those are the kind of things that I find should be looked at. Thank you very much.

**Hon. Kevin Falcon:** Thank you very much, [caller], for that. So a couple of quick things. First of all, no, it does not apply to university tuition and it does not also apply to gasoline. I think it's important that the public know that. There's been no change on gasoline. It does not apply to home heating fuel, which is another example. It does not apply to basic groceries. And what I mean by that is basic grocery, the GST never applied to basic grocery and neither does the HST. So the best way to think about HST is when we



harmonize the PST with the GST, whatever the GST applies to, generally speaking, the HST applies to. Whatever the GST did not apply to, the HST generally does not apply to, with some exceptions that we made. So nothing on gas and nothing on university tuition fees.

On children's clothing, again, children's clothing is exempted. So there is no provincial portion of the HST on children's clothing. But as I pointed out on my last answer, the one thing we have heard is that some parents have said for some of their larger-sized children that don't fit under the, you know, the children size definition of what children size clothing is, they're finding that they're having to pay the additional provincial 7%, and so, we've made note of that.

I do think it's really important to point out one thing though. The biggest complaint we usually get from small business actually had to do with the children's exemption on clothing because you may recall in the old days, we used to have to go into the store and say well, this is for a child and you would sign that piece of paper. And the retailing establishments were required to keep all that paperwork. They were audited on that paperwork. It becomes a big administrative headache. So that was one sense of relief, of getting away from that and just going to the same way that the GST applies to children's clothing. But as I say for large-sized kids, some people are complaining. So I made a note of that. Thank you, [caller].

**Moderator:** Thanks, Minister. Next stop, [caller] has a question about the HST and small business. [Caller], are you there?

**Caller:** Hello.

**Moderator:** Hi, [caller]. Go ahead and ask your question.

**Caller:** I'm a small business and I used to pay under a million dollars a year when I used to pay 5% on all the money I took in. And most small businesses have a hard time to make, say, 20%. And now I got to pay 12% off the top of every dollar I get. And then if I make any money, I got to turn in my income tax after. So I wonder if you could take a look at family-owned little businesses. And I really appreciate this call.

**Moderator:** Well, thanks, [caller]. And I appreciate that question. With respect to small business, I think that one of the things I have to honestly say, with respect to HST, is not everybody is an equal winner – even in the small business sector – with respect to HST. So someone previously had mentioned restaurants, for example. There's no question that there's now that additional 7% that is being charged to restaurant meals. But what I am increasingly hearing from the restaurant sector is, especially when they are reinvesting in their business or they open a new restaurant or expand, they get significant savings from no longer having to pay the PST on virtually everything. They pay on their tables, their chairs, their napkins, their glasses, you know, basically all the things that go into a restaurant that used to have PST charged are now gone out of their cost and that's significant savings. So [caller], I'm not sure what your personal small business situation is, but what I can say, just stepping back for a second, is we have taken the small business tax rate from – it used to be a high over 8% back in the late 1990's, down to 2.5% today. We also took the threshold for what we define as a small business. It used to be \$200,000 when I first got elected in 2001. And we raised that threshold up to \$500,000 meaning that you qualify

for the small business tax rate which is now lower up to half a million dollars when it used to be just \$200,000. I think that's just to give some context around what we're trying to do.

And the final thing is, [caller], you mentioned on your personal income, we reduced personal income tax rates by 37% since 2001. And you know, one of the things that I often hear from people, and I'll just say this now because I think it's important, is people correctly point out – well, you know what? I pay it on, you know, property taxes going up, you know, I get hit with HST and all these other things, whenever they may be, and they say, you know, I really feel like we're struggling to get ahead. And that's all legitimate. The one thing I will say is that our most recent budget, the 2011 budget, there's a section in the appendix, appendix A3 that you can go to, and it looks and compares British Columbia families, you know, everything from a seniors couple earning \$30,000 a year to a family of four with different sorts of typical examples. And it compares all their tax loads, their income taxes, their MSP premiums, their HST – all of that rolled up together – and compares us with the other provinces. And British Columbia is the second lowest in the country. Alberta just edges us out, but we are the second lowest in the country. Now, it doesn't mean we're perfect. And we can always do better. And that's why we're listening tonight because we want to see how we can improve the HST and further reduce some of the impact that you folks are identifying. But I appreciate that question.

**Moderator:** Thanks, Minister. [Caller] has a question around the HST and seniors on fixed income. And there are a number of people with questions along this theme. So [caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** I've already asked that question at the top of the very show. I was the first person to be asked that question. But I have another question if I may. And my question is this.

**Moderator:** Go ahead.

**Caller:** Thank you. If by the time we have our referendum and the HST is defeated, will people be able to claim that HST back that they've already paid?

**Hon. Kevin Falcon:** Thank you, [caller]. So first of all, congratulations. You're the first caller that's ever gotten on twice with two questions in all the town halls. That's remarkable.

In terms of getting back what they paid, no. The short answer is no. In terms of having to, you know, for those that receive rebates, will they have to pay them back. No. They don't have to repay them back either. So that everyone keeps what they got and everyone's paid what they paid.

The bigger challenge, though, [caller], candidly, as a Finance Minister and frankly, as a taxpayer – and we're all taxpayers – the bigger challenge of going back to the PST plus GST system is really this. The federal government provided us \$1.6 billion in transition money to transition into the HST, into harmonizing. And they did that because they essentially gave us the same deal they gave Ontario when Ontario harmonized. So on a per capita basis, we got the same deal. That's \$1.6 billion. If we go back to

the PST plus GST system, we have to repay that \$1.6 billion. Now, some people say don't pay it. But I can tell you this as Finance Minister, they get it back whether we want to give it back or not. All they have to do is deduct it from future transfer payments to us. So I just think we should be aware of that, whether they don't send it to us or take it back, we are going to have \$1.6 billion less left to support in healthcare and education and the other things we're using to get back to a balanced budget, whatever it is. The other thing is, because HST, first of all, harmonizes and its got a broader base, it include services now. Remember, the GST is a goods and services tax. When the old PST was first brought in 1949, it was what we call a retail sales tax, and it applied mostly to goods. The reason why harmonization expanded is because it covers services now. And the fastest growing part of our economy is actually the service sector. So from a long-term perspective as a taxpayer, whether I was Finance Minister or even after I'm done politics, I just have to say this so candidly: you really want to have a consumption tax that is modeled on a GST model, not in the old sales tax model of the PST. Because it actually, over time, generates more revenues for government and it's a more efficient tax which attracts more investment and opens up opportunities for more job creation in the province. The independent panel suggests almost 25,000 new jobs will be created as a result of the HST, and these are high paying jobs. These are not, you know, sort of McDonald's jobs. These are higher paying jobs. And I think that's exactly what our economy wants. So we have to think about not just paying back the \$1.6 billion. But also the loss of income we'll see. And just in the 2-year period in 2013 and 2014, they've estimated that the incremental revenue loss in those 2 years is almost \$1.2 billion. So in 2 years, you're looking at almost \$3 billion less in revenue as a result of a decision to go back. Now, that doesn't mean it's not a legitimate choice and people, you know, can legitimately say, well, you know, Falcon, I don't care. Go back to that PST-GST and deal with it by cutting spending or whatever you got to do. All I'm saying is that, you know, most people are not saying to me to spend less in healthcare, spend less in education. Today again in the legislature, you know, the NDP wants to spend more on virtually everything. So not that that's anything new, but that's often a common theme out there. So I'm sorry, it took a while on that answer, [caller]. But I do think you raised a really important point about, you know, the going back to PST plus GST option

**Moderator:** Thanks, Minister. [Caller] is on the line, I hope. And he has a question about the HST and new home construction. [Caller], are you there?

**Caller:** I am, indeed.

**Moderator:** Please go ahead.

**Caller:** Thank you Mr. Falcon, the question I had about real estate is that with the change to a harmonized sales tax, one of the things that got significantly impacted was new home purchases which were subjected to the GST and wouldn't have been subject to provincial tax. With the steady increase in real estate prices, and the cap on a refund on the HST on the home purchases, roughly say half a million dollars, what are you, as Finance Minister, and the government looking at to be able to either increase the subsidy reduction with those increases in real estate prices, or what steps are in place to make certain that that's going to be reduced over time?

**Hon. Kevin Falcon:** Thanks, [caller]. So [caller] is referring to the fact – and just a quick recap for the listeners, on the vast majority of home house sales or condo sales, in other words, when you're buying a condo that's existing or used condo, someone lived in it, there's no HST or whatsoever. But he correctly points out that on new homes, when you're buying a brand new home, what we did in working with the development industry, the folks that are generally building the new homes, is we put in essentially an exemption up to \$525,000. So there's no effect of change if you're purchasing a home up to \$525,000. Over \$525,000, [caller], you correctly point out there is now that additional cost that people will be paying. So I think your point is, can we do something to the threshold? I'll make a note of that. And look, I think it goes into the, you know, the suggestion box really which is what this listening excises is all about. And we're going to look at that suggestion and all the other ideas that are coming forward, rate caps and all the rest of it to see what we can do to try and minimize or eliminate the impact, the additional impact on British Columbians as best we can while at the same time trying to protect, you know, healthcare and education and being responsible about our budgeting. So thank you, [caller], for the suggestion

**Moderator:** Thanks, Minister. And now, we'd like to go to [caller] who has a question relating to MLA salary. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Okay. I'm referring to a couple of years ago. You guys raised your salary 30% or 40%. Now, you've lowered it 10% until you get the deficit cleaned up. Hey, I'll tell you what. I think just about anybody in my position, everybody in the town that I live in would take the same kind of deal.

**Hon. Kevin Falcon** Yeah. No, entirely legitimate. So there was – and [caller], forgive me. But I forget exactly when that happened. But there was a review a number of years ago, an independent body that looked at, you know, because this is a perennial problem. What the heck should we be paying ourselves? And we don't like to give ourselves raises. So we went to an independent panel that came back with a recommendation and adjusted upwards. And I forget the percentage amount, but it was significant at the time. The MLA salaries adjusted up, and we were criticized by many. But I think frankly, it's a no-win.

What I can tell you, though, and it's fair to make that criticism – what I can tell you is that we have frozen all MLA salaries now. So there's been zero increases in MLA salaries as soon as the economic meltdown hit. We have frozen all public sector wage increases. We've now had dozens and dozens of wage settlements with the public sector with zero increases in wages. We've made that very clear. We call it a net zero mandate. There's going to be no effective increases, and frankly, we're the only jurisdiction that I'm aware of in the country that has actually held to that. And you're right, cabinet ministers fall under the balanced budget law. We put in a law because during the 1990s we had 8 out of 10 years in which there were deficits that were run up and a significant increase in debt. So we put in balanced budget legislation that said if the province goes into deficit and we got back into the balance budget legislation, say we had to balance the books within 3 years which we did. We stayed in balanced books, actually surplus for a number of years, and then the international economic meltdown hit. We

went into deficit. Every cabinet minister, as a result to that, took a 10% pay cut including myself, and that is entirely right and appropriate under the legislation. And we don't get it back until we get back to a balanced budget. And that is simply because the principle is we don't want to be spending money on programs today and services that people received today and then handing the bill to our kids tomorrow. That is the fundamental principle underlying that. But I thank you for your question.

**Moderator:** Thanks, Minister. [Caller] has a question relating to the HST on services. [Caller], are you there?

**Caller:** I am. Thank you for letting me on. The question I have – I've noticed we have a plumber come in – and prior to this HST stuff, he never charged tax on his service, like he get \$70 an hour or whatever it is. But now, we got to pay HST on top of the \$70, and he never charged that before. Anything he charged was just on parts. He never charged taxes on labour. Hello?

**Hon. Kevin Falcon:** Yeah. Sorry. Go ahead, [caller]. Are you finished the question, [caller]?

**Caller:** Yeah, I am. I'm just wondering if there's something you guys could do about that?

**Hon. Kevin Falcon:** Thank you, [caller].

**Caller:** The taxes on services?

**Hon. Kevin Falcon:** Yeah. I'm making the assumption that this isn't [an MLA] that's asking the question. Good. [Caller] is okay. [Caller], so this is interesting to mention the plumber. Because actually, I had the exact situation where my hot water tank went just before Christmas. I called in the plumber whose name was on the tank. He came in and fixed my hot water tank, and we're having a discussion afterward. And he was filling out the form and handing it to me and saying, you know, there's now HST on this. Ironically, he didn't know who I was at the time and maybe because I looked fairly – I was wearing my glasses, and I looked like a bit of a bum two days before Christmas. But nevertheless, he said to me, you know, it's interesting this HST, you know, you're paying HST just here you know. But the savings that he's realizing now as a small businessperson has allowed him to direct the savings to his little business. He said, I just have a little operation. I think he's got four other employees or something. But the savings are so significant that he's looking at taking on another employee because of the savings. And essentially, to your situation, what happens is that you were always paying PST and all the materials they were charging you, and so are we, and so just as everyone else out there they're no longer paying those PST costs. They get those costs back. They called them input tax credits. But you are paying the HST now, the additional 7% on the labour cost. That is true. So you know, it's one of those trade-off pieces to be honest with you, [caller].

So what can I do about it? The truth is not a lot. Because with the HST, we are harmonizing with the GST. So you have to look at it and say, overall, we believe there are benefits to the economy in terms of growing the economy and generating ultimately additional revenues with the province which support balancing the budget and paying for, you know, education and health, etc. And we also know that a lot

of that invisible PST, you know, trickles down in terms of lower prices for all of us as consumers in most cases. But thank you for that question.

**Moderator:** Thank you. I'd like to remind everyone that if you want to ask a question, please press star 3 on your keypad. Now, we had a number of people who have dialled since this call started, and I'd like to throw it over to the Minister to perhaps say a few remarks at this point. Minister?

**Hon. Kevin Falcon:** Sure. Thank you very much and thank you for all the additional folks that are joining us here. We really appreciate these telephone town halls have just been an exceptional way for us to reach out to the public and listen to ideas on how we can improve the HST. We fundamentally believe that it is the right public tax policy. But we totally recognize that we did a terrible job as a government in introducing the HST and not explaining it at all to the public. And the hope and the goal that we're trying to achieve with these telephone town halls, where we get literally tens of thousands of people on these calls in any one call is to try and address and answer questions. But also to look for ideas on how we can minimize or eliminate the additional impact that HST has had on typical families here in British Columbia. So we try to talk about the good, the bad, the ugly, try to answer questions as best we can, and look for ideas on how we can improve it. Because at the end of the day, as I say, we think that going back to a PST plus GST system would really be a step backwards in a very significant way.

140 countries around the world have all got harmonized sales taxes. They called them value-added taxes. There is no jurisdiction anywhere in the world that has gone and introduced what the PST would be. If we went back to the PST plus GST, we would really be the first jurisdiction in the world in 35 years that introduced a retail sales tax, which is what the PST is. It's a very inefficient form of taxation. So we recognized the bad job we did in introducing and not explaining HST. We realized we're trying to make amends here. But we're also looking for your ideas on how we can improve it. So thank you so much for joining us. And I'm continuing to answer questions here, and I'll get through as many as I can in the 90 minutes that we have in this program.

**Moderator:** Thank you, Minister. And now, we go to [caller] who has a question about the HST and the film industry. [Caller], are you there?

**Caller:** I am here.

**Moderator:** Please go ahead.

**Caller:** Hi. There's a serious concern regarding how reinstating the PST over the HST will threaten BC's film industry which, you know, most people know but many don't understand how huge the revenue is that comes into BC from the film industry. It's in the multimillions, it's approaching a billion. And if we lose more of, unfortunately, the American projects that come into Canada, we will see that trickle down to restaurants, through hotels, through the employees of these places, and it goes on and on and on. And my question is, what are your feelings about this? What do you see happening?

**Hon. Kevin Falcon:** Well, Thanks, [caller]. And you know, at the end of the day, what you're talking about is exactly what the reason why we harmonized PST plus GST into the HST. The film industry, they

have been out saying many, many times, this is the single best thing the government could have ever done for the film industry because they are now winning films that we, in British Columbia, are now bringing films into British Columbia that are coming here in large part because of the harmonized sales tax. And the reason is that, again, as I say, imagine the film business and all of the costs for building construction sets, all of the vehicles that they use, all of the costs that are involved in putting together a movie, virtually all of them had PST applied to them. And under a harmonized sales tax, all of those costs are now stripped out. So it becomes a much more attractive place to make movies. That generates the kind of new jobs and high paying jobs by the way that allow people to go out and spend money, whether it's in restaurants or doing whatever people do with the dollars that they have available.

It's estimated that there's potentially 20,000 jobs directly associated with the film industry in the province. So we want to grow those kinds of jobs. They're high paying jobs. You know, virtually every community and region in the province benefits to some extent from the film industry. They tend to move their shoots around the province. And I think, you know, we don't often get too many people saying much positive about HST, but that's where I think a really good example of an industry sector and there's many like it – the mining industry, forestry industry. I can go through all the different sectors – construction industry – where there are similar stories, and we need, as a government, to make sure that when the public makes their decision at least it's an informed choice that they have the facts, that they understand that there's good, that there's bad. And they can make an informed choice as to whether they think on balance it's worth staying with or going back.

**Moderator:** Thanks, Minister. We now have the first of two feedback questions to get your thoughts on the HST. I'll be asking you to select an answer by pressing a number on your keypad. Please listen carefully to the options. I will read the question and the answers twice.

So here's the first question: Government HST revenues increased faster than PST revenues would have because the HST tax base is broader. If you could only pick one way to use any additional HST revenue which of these would you choose?

There are 3 options:

Increase spending on healthcare and education, press 2.

Reduce British Columbia's tax burden, press 3.

Provide additional support to family and children, press 4.

So let me read that question and answer options again.

Government HST revenues increase faster than PST revenues would have because the tax base for HST is broader. If you could only pick one way to use any additional HST revenue, which of these would you choose? There are 3 options. Increase spending on healthcare and education, press 2. Reduce British Columbia's tax burden, press 3. Provide additional support to family and children, press 4.

We will now go to another question from a caller.

And [caller] has a question about funeral costs and the HST. [Caller], are you there?



**Caller:** Yes, I am.

**Moderator:** Please, go ahead.

**Caller:** Okay. Thank you, Minister, for this telephone meeting. I have a question regarding how the HST applies to the cost of funerals and the death tax.

**Hon. Kevin Falcon:** Go ahead, Ken.

**Caller:** Hello.

**Hon. Kevin Falcon:** So is that your question?

**Caller:** Yeah. Like as you get older, you go to pay your funeral. And now they want to put HST on top of that I understand?

**Hon. Kevin Falcon:** Correct. So this really reinforces the old adage that nothing is more certain in life than death and taxes.

So certainly with the HST, it does apply to funeral services. But again, the thing I would point out with respect to the funeral business is that you used to have to pay... well, I went through this in the family situation; but, you used to have to pay PST on caskets and a lot of the other costs associated with it that are no longer there.

So you now pay HST on your funeral services. But funerals do have, again, a lot of the old costs – that they used to have PST on – they now get full tax credit for. So that again, in some part, will, in a competitive situation that you presumably have in the funeral business, result in more competitive pricing for consumers. But I don't want to pretend that you're not paying some more with HST. You are.

**Moderator:** Thanks, Minister. So just a reminder to our callers that if you would like to ask a question, just press star 3 on your keypad. Just to let everyone know, we've had 24,000 people take part in the call tonight, which is a wonderful turnout.

Right now, I'd like to go to [caller] who has a question about the GST and PST as it relates to the HST. [Caller], are you there?

**Caller:** Yes, I am. Thanks, Mr. Falcon. The question generally was, the GST and the PST, why wasn't it harmonized to start with? By that I mean, the PST and the GST and the HST, they're not really harmonized because as you just mentioned, we're paying increased cost on a lot of things we didn't before. And you have mentioned the increased revenue to the province which, is good in one part. But if you come out of my pocket going to the medium and large business primarily, small businesses get my money when I go and spend it there. So I would disagree with you on some of those things. And by the way, I had the opportunity to meet you.

**Hon. Kevin Falcon:** Yeah. Thanks, [caller]. As I jokingly said the other day, I'm living the HST dream over here. But I really appreciate that question. And look, I think it's an important to recognize when the PST

was brought in, it was brought in in 1949. And it was, you know, at that time, that was the kind of thing the government did. It was a retail sales tax largely on goods, not services. Our economy has really evolved since then. I mean, we no longer are manufacturing lots of stuff here. We're increasingly into the knowledge sector, we're into film and all these other things that involve services. And we want to – I believe it is the right thing absolutely, not just for my kids and your kids but our grandchildren, that we have a tax system that is frankly responding to the changing world. And that's what the GST was all about.

Remember, the GST when it was brought in, was really controversial because it replaced an old manufacturing sales tax that applied to manufacturers and made BC companies or not just BC companies, Canadian companies far less competitive internationally. There's just no doubt about it. And so, when they brought that in, you know, way back in the 90s I guess it was, there was a lot of controversy associated with that. But today, there's not. In fact, there's nobody to saying let's actually go back to the old manufacturing sales tax. And so, it is with this discussion. We are harmonizing the PST with the GST because, on balance, we believe that it builds a stronger economy, creates an environment that encourages investment and job creation and the creation of growth and businesses. And you're right, [caller], to point out that it is a benefit to business. The independent panel points out about \$750 million in benefits in terms of, you know, those sort of PST costs that they used to have embedded and all the different cost associated with running a business that are now stripped out. But remember, you were paying that. I would argue you were absolutely paying that. It was called what I call the invisible PST.

Believe me, when business is paying on their heat, on their power, on their vehicle, on their computers and all the things that they're purchasing, they were paying PST under the old PST system, they were passing that along to you, and believe me, in the final price. Now, people may think that some businesses were saying, we'll just eat all this ourselves. I can assure you they were passing that along. And so it is at least a theory. And I believe the theory sound, that when you strip out those cost in a competitive market economy that we live in where businesses are fighting everyday for, you know, market share and everything else, that they will pass along those savings they receive in the form of lower prices or new investment in their operation, hiring new staff, whatever it may be so they can go out and compete. And you know, I just think that's true.

But, [caller], having said that, we do recognize there is an additional cost on family. It was actually quantified in that independent panel report which again is available on [hstinbc.ca](http://hstinbc.ca). If people want to go to the website, [hstinbc.ca](http://hstinbc.ca). And the independent panel said look, for the average family, it costs about \$350 more per year. Absolutely true. And what we are doing with these listening exercises is saying to you, what can we do to minimize that? And what I think from your comment, [caller], is you'd like us to do something to minimize that additional cost and I've made a note of that. Thank you.

**Moderator:** Thanks, Minister. Now we have [caller] on the line, I hope, who is still on the line, who would like to talk about the HST and job creation. [Caller], are you there?

**Caller:** I'm here.

**Moderator:** Go ahead and ask your question.

**Caller:** Yes, Minister. We were originally misled by how many jobs the HST was going to create. Originally in my mind, it was over 100,000 high paying jobs. And now, your independent panel takes that number significantly less – about 75,000 jobs less. How can you account for the misleading numbers, Mr. Minister?

**Hon. Kevin Falcon:** Thank you, [caller]. It's a very legitimate question. So [caller] is referring to Jack Mintz who's an independent economist that did an evaluation of HST in BC and estimated that the job growth would be about 113,000 new jobs. The independent report out had a more conservative estimate of about 25,000 new jobs. Both of these groups by the way agree that they're high paying jobs.

But you know, as I said in question period, I was asked by the NDP – quite honestly, whether it's 25,000 new high paying jobs or 113,000 high paying jobs, any new job is really great for a family. You know, if you got a breadwinner, whether it's a mother or the dad or both out earning a good income or high income as a result of good tax policy, I think that's a win for us overall. But you know I could get into technical reasons. In fact, I just read an article that Jack Mintz had written about why he thinks that they've been too conservative, and he's got all these reasons about why. But look, all I will say as a Finance Minister is whether a low end of 25,000 new jobs or a high end of 113,000 new jobs, I want the new jobs in this province. I think they're good for families. I think they're good for generating revenues to us as a province, to support our social programs. We can't escape from the fact that in British Columbia has an aging population and a shrinking workforce. And those two things don't work well together. And we need to make sure that we have a tax economy that's competitive, that encourages investment, that create jobs that support, you know, the kind of social programs that we all care about. But I appreciate you raising that, [caller].

**Moderator:** Thanks, Minister. We now have the second of our feedback questions to get your feedback on the HST. I will read the question and answers twice. Again, select your answer by pressing a number on your keypad.

So here's the question.

If British Columbians chose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could take only one option to make up the revenue difference, which of these would you choose?

Here are 3 options:

Increase the PST rate, press 2.

Raise income taxes or other taxes, press 3.

Run larger deficits, press 4.

Let me read that one more time.

If British Columbians chose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could take only one option to make up the revenue difference, which of these

would you choose? There are 3 options. Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Run larger deficits, press 4.

And now we go to our next caller, [caller] has a question about the HST and customers and clients. [Caller], are you there?

**Caller:** Yes.

**Moderator:** Please go ahead.

**Caller:** Hello. I just want to mention that I'm a small business owner. We've owned a business for 25 years. The HST has been very, very positive for small business. Our bookkeeping is half what it used to be. Therefore, the cost for that has gone down. Yes, it has affected pricing for clients because we didn't have to raise our prices last year when it came in because we did have costs some go down. At this time, we are raising them a little bit because there's been some increases in other areas but that's the way it is for all business. Sometimes you do have to raise things a little bit, but not everything is being raised. And I feel as a small business owner that HST is the best thing that ever came in to help us – tremendous help with us.

**Hon. Kevin Falcon:** Thank you, [caller]. I appreciate that. You know, look. I think she raised one good point that I actually have mentioned before which is that, in addition, there's potentially price reduction that can happen as a result of eliminating what I called earlier the invisible PST that is on virtually most of the inputs that small business have, or large business to that matter. And that can result in price reduction. But it can also result in a reduction and price inflation, and you know, that's an important consideration, too, for us to think about. At the end of the day, way back when I first got elected in 2001, my first job was minister responsible for reducing red tape. And we committed to reducing red tape on small business by one-third in our first 3 years, and we exceeded that. We actually had a 42% reduction. But what I always remembered about the consultation I was doing then is that one of the biggest complaints I have from small business was the paperwork associated with having to do books on the PST and books on the GST and having to deal with auditors coming in from the federal government on the GST and then from the provincial government on the PST. And we, as a provincial government, of course you have to decide when you have your own separate sales tax, what it applies to and what it doesn't apply to. And that's where we go into the crazy situation where red raincoats have PST exemptions but yellow ones don't. And it just goes through this mind-numbing bureaucratic process. So all of that is gone now, and that's one of the big benefits for small business, for big business, is that you get rid of all that duplication and you now have a single harmonized tax. It's simpler. It covers goods and services. And it's largely a significant benefit for most small businesses. But you know, there are some that will feel differently. But for the most part, it's good overall. So thank you for that input, [caller].

**Moderator:** Thanks, Minister. And [caller] has a question about the HST and safety equipment. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Hi, my question is about bike helmets and hockey helmets and the things that children must have to stay safe. There is HST applied to that when you purchase it but you must have it in order for the child to be safe well. Skiing, skating, biking, is there something that we can do about that?

**Hon. Kevin Falcon:** Thank you, that's a really good point. As a former health minister I have to tell you that, you know, for sure when I used to hear people say well, why is that applying the bike helmets or the sales of bikes, etc.? You know, that's a tough one. Because we certainly want to be encouraging people to make the right decisions and we want them to buy bikes and we want them to wear helmets and all the rest of it. And there's no question that that additional 7% will now apply to those kind of purchases. But again, that's exactly why we're holding this listening exercise because we're looking at how we can recognize some of the things the public identifies as being a real concern to them. And it's all about recognizing, first, number one, there is additional cost to most families, not all. Some lower income people, the independent panel pointed out, are actually ahead of the game with the rebate. But for most people, there's an additional cost and this would be part of that additional cost. So your point is that government should understand there's an additional cost and some of those things, and you'd like to see some relief there. Your point is well taken. So thank you.

**Moderator:** Thanks, Minister. Question from [caller] who is asking about the HST on big-ticket items. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Well, go ahead and ask your question.

**Caller:** Thank you. The question I originally posted was a question regarding big-ticket items and the large purchases that consumers make, like the housing market kind. They were having a hard time in selling, you know, just regular homes. It's not new homes – and then after all the information was received, they put a ceiling on. Now we're going to charge HST on new homes over X amount of dollars. I'd forgotten about that point.

So the other part of my question was on the other items like vehicles. Would the government consider removing the HST on higher efficiency vehicles or family vehicles because they add a lot more expense to, you know, a long-term loan or something like that?

**Hon. Kevin Falcon:** Thank you, [caller]. So first of all, your last point first with respect to vehicles. The good news is for houses and majority vehicle you purchase, there is absolutely no change. But there is an improvement on the fact that we've gotten rid of the luxury sales tax that used to be there. That was a 3% luxury sales tax was introduced in the 1990 that applies to vehicles with the value of \$55,000 and over. So we eliminated that all together, and frankly a lot of new cars as [caller] would well know, you know you go buy a pick-up truck loaded and you're paying probably \$55,000 plus. So that reduces the cost for many automotive purchases. For the balance of them there will be no change because they used to have the PST and GST anyhow.

With respect to your comment about housing, it's interesting to note that housing starts in April posted at 23.5% higher in urban housing starts over March. So you know, for the most part, there appears to be not very much impact on the housing side. Now, that's not true in all markets, I can't guarantee that. But there might be some pockets in the province that have not, you know, seen the same growth. But I do know that building permits for example are up dramatically and many of our lower mainland community. So that is encouraging to me as a finance minister. And as I say for the vast majority of housing purchases, people are buying used homes or used condominiums, there is absolutely no HST that applies.

**Moderator:** Thanks, Minister. [Caller] has a question about the HST and food. [caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** So, Minister, I have no problem with the HST to be honest because we're not paying any different on our taxes than we did before with the GST and PST. But the only thing that I find – my husband is a senior. He gets \$20,000 a year. I've certainly never seen a cheque in this house for his HST ever. And the other question is that I don't understand – like, I work with families, poor families and stuff and I just don't understand why on chocolate bars, and I know they're not necessity, but things for little kids like chocolate bars and candy stuff, why do they have to pay HST on it? I just think that anything to do with food and stuff should not have HST.

**Hon. Kevin Falcon:** Okay, thanks a lot. Now, I have to tell you, I am a former health minister, so you're probably not going to like this part. But as a former health minister, the fact the junk food now attracts the PST portion, that doesn't concern me that greatly, to be honest, because I do think it's important. I would actually want people to make healthy food choices. But you know, again, I'm sure some people will disagree with me, but as a former health minister I really feel like I had to say that. But I do think, in fairness, we need to point out that – yes, on restaurant meals in particular, there is now an additional 7% that wasn't there before. And that's what happens when you harmonize. But I must say you know, the idea of relieving the additional cost on junk food is not necessarily one that I find really, really attractive as a former health minister.

**Moderator:** Thanks, Minister. [Caller] has a question about the HST and the federal government. [Caller], are you there?

**Caller:** Hello?

**Moderator:** Hello, [caller]. Please ask your question.

**Caller:** The thing about the new laws is the fact that eventually the federal government will be controlling them, and they will be raised again whichever whenever they feel like it. This has happened before. The fact also that we really were mislead really bothers me. Before the election we were told that this would not be and then all of the sudden, here we are in the middle of the big complex change. That's another thing. Thank you.

**Hon. Kevin Falcon:** Thank you, and thank you for that. Look, you certainly – we were really strongly criticized for that the way it was brought in. What I want you to know, and it's really important for me to let you know, that we never ever discussed it prior to the election. And I know a lot of people say, well too bad, we don't believe you. But you just need to hear that from me directly because it's important to me. I don't mind criticism for the public policy decisions that we made, and criticizing what we did, but I just cannot accept people that say it was something we knowingly knew about because it's simply not true.

Having said that, you raised a question about whether we've ceded control effectively on this tax policy to the federal government. The good news is, and the agreement we have with the federal government indicates, we have not. We have control all over the rate. So we can adjust the rate every year if we want to, up or down and that is clearly spelled out in the agreement. Now, we have to give notice that we're going to do it. But every July 1st we have the ability to adjust the rate.

We control the rebates. So we can make decisions about what rebates apply to, what the point of sale exemptions apply to, and that's why, for example it doesn't apply to the gasoline, that's why it doesn't apply the home heating fuel, the kind of things that we made a conscious position to ensure that it wasn't going to apply to. So we have not ceded that control. I would argue, in fact that in many ways, we have more control. The federal government, for example, can't make a change to what's covered under GST without consulting with us first. It's important that they have that discussion, and if it impacts us revenue-wise on any decision we make, they have to make up a difference to us under that agreement. So I think it's a very fair agreement.

I think it frankly eliminates the fact that we don't have to have 300 bureaucrats, at a cost of \$35 million a year, processing paperwork on a provincial sales tax. Those costs are all gone now for us as a province. And that provides an additional benefit to small businesses across the province. We no longer have \$150 million worth of compliance costs having to deal with a provincial sales tax, and all the paperwork, and the tax order that's associated with that. Plus a GST and all the paperwork and the auditors associated with that. So I think, on balance, we're far, far ahead and we have not ceded control in my view at all.

**Moderator:** Thanks, Minister. We just like to say to all our participants tonight that we have hit the 15-minute mark left on this call. We won't be able to get through all of the questions but we do welcome you to stay on the line to provide feedback at the end of this call. And also there is a survey which we invite you to comment on at [hstinbc.ca](http://hstinbc.ca). So now we'll go to [caller] who has a question about the HST and the restaurant industry. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** Hello?

**Moderator:** Hello, yes.



**Caller:** I know there has been talk about the effect on the restaurant industry as far as reduced income for them. But as a mother of two teenagers whose source of income is working in a restaurant, they have had their hours cut back substantially and it is only going to get worse with the increase in the minimum wage, which you think will help them earn more money but it will not offset the hours that have been reduced. So we are being promised here by the study that there will be high quality job that will come by 2020 with the HST. What happens to our youth who rely on restaurant jobs that are being devastated because of this tax?

**Hon. Kevin Falcon:** Yeah, and thank you, [caller] for the question. So first of all, you know, the industry lobby group for the restaurant association has really said that this has kind of a devastating for the industry, etc. And look, I don't want to pretend that there is not any impact. But you know, the great cities of the world, London, Paris, Rome, they all have value added taxes which in fact are far higher. We have the lowest HST in the country right here in BC. And all these countries I just mentioned all have value added taxes which are much higher, frankly, than we have here in British Columbia and yet nobody says that Paris doesn't have a pretty outstanding restaurant sector. In fact they're famous. Same with London, same with all these other cities. It's not to say there are not impacts, but I think we have to be a little careful in, you know, saying it's going to be devastating because I just don't accept that.

I have lots of people – I just met with some people in the restaurant industry today that actually said to me, Minister, as far as HST is concerned, we frankly don't think that's having almost any impact on our business. The decision government made with respect to .05 having increased penalties for drinking and driving, it had far more impact on the restaurant sector than HST has. So you know, I do think that we just have to be relatively realistic about this. The independent panel pointed out that from June 2010 to January 2011, that six month period. So you know, remember July 1st, 2010 is when HST was brought in. During that period, overall industry sales increased by about 3% in both BC and in all of Canada. The employment staff and the accommodation and food services industry indicate there are 8,600 more jobs in the sector today than there were in July 2010. So that's you know, the hotel and the restaurant sector according to Stats Canada. So that doesn't mean that there are not restaurants that have been impacted, there certainly have been and they're out there. But I just think we have to take a look at it with a grain of salt, you know, at some of this sort of the real dire predictions about the end of the restaurant business as we know it. There is an HST in Ontario, there's an HST in Quebec. There's an HST in the Atlantic provinces. Over half the provinces have harmonized sales taxes and they still have thriving restaurant industries, last I checked.

**Moderator:** Thanks, Minister. We have a number of callers tonight asking and people who are waiting to ask out questions on the HST and how it impacts seniors. So [caller], if you're on the line can you go ahead and ask your question to the minister?

**Caller:** Thank you, thank you, Minister. I'm a senior and I want to say that the HST had no impact on our lifestyle. I think the cry about it having a big impact on people with fixed incomes is a bit of a red herring. Now, I'm also very much involved as a volunteer income tax preparer, and I prepare many scores of income tax for seniors. And when I voice out to them that the refunds they get on lower income through the HST is higher than it was before, they are startled and surprised. And when I explain it to them, they

say they change their mind about the HST if that's true. But I show it to them, and they're surprised that this is true.

So my question is this, how can the current government clearly communicate to thousands of seniors on lower income that they are going to get a bigger refund under the HST than they would under the old system? If that can be clearly communicated, there're going to be thousands of seniors who will change their minds about the value of the HST. I think it's a great tax. It's the right tax for the current age. And as a senior and fixed income, I fully support your move to introduce it. How will you communicate this clearly to the thousands of seniors in this province?

**Hon. Kevin Falcon:** And it's an important, very important question because one of the things that I've said is that we have an obligation – in fact, a responsibility I would argue – about getting basic factual information out to the public with respect to HST. I've stated that publicly. I've stated that we are going to be doing that, you know, when the opposition have criticized us for doing that. I make no apologies for it because I can tell you this as a Finance Minister. What you said, [caller], is really important to me. I do not want to have any seniors or, you know, low income individuals come to me after a vote – if in the referendum vote, the public decides to vote down HST – I don't want to have people coming to me after the fact saying I didn't realize when I did that, that it was going to impact me personally and financially. I don't want that senior that's receiving \$230 a year to cover HST, in fact, to come back and say I didn't realize I was voting away the \$230. I don't want that single mother with 3 kids, that I talked about earlier in the call, that today is receiving \$920 of HST rebate. That is just from the province. That is not what they get. She also gets another \$905 of GST. This is added to that. And it's important for me at least, as a Finance Minister, to know that the public, when they make their choice, are making an informed choice.

And one of the legitimate criticisms I have heard over and over about us as government, is people keep saying, would you explain this kind of facts to us so that at least we're making an informed decision? I've made the commitment to do that. I've also said that the cost of explaining that, because we're going to have to spend money to make sure that people know this, I'm going to publicly disclose what that cost is going to be. But I make no apologies for the fact that I'm going to make sure, as you pointed out [caller], that those seniors know that they are receiving an HST rebate today that could disappear tomorrow if they make a choice to vote it down. And that's still, it did not mean it is not a legitimate choice for people to say, well, you know what? I don't care. I still want to go back to the PST plus GST system. That is a legitimate choice for people to make. I just want to make sure that they understand the pros and the cons of their decision, and we will do that. So thank you for that comment and stay tuned for that because I will be announcing that shortly.

**Moderator:** Thanks, Minister. We're going to take one last question from our listeners. [Caller] has a question about the HST and the middle class family. [Caller], are you there?

**Caller:** Yes, I am.

**Moderator:** Please go ahead.

**Caller:** I have a question in regards to the middle class family. It seems that the lower income are getting subsidies. But what is the cost to the middle class family? I have to pay on top of my kids' school supplies – I now have to pay HST. I have to pay HST on instruments, I have to pay HST on food. And you stated that it's just on junk food. But in fact, it's on a lot more than that. It was a total of \$18 on my last grocery bill. So I'd like to know how it is that the government can say to the middle class family that this is a good tax for us, when it's costing us far more, especially in this extremely insane economic system we are in right now. So how are we to afford to feed our family, to raise our kids and to pay our bills?

**Hon. Kevin Falcon:** Well, thank you, [caller]. So look, that's exactly why we're having these conversations, to try and see what can we do, recognizing that harmonizing the PST plus the GST resulted in some additional costs to families. The independent panel report, as I pointed out, said on average it's about \$350 a year in additional costs. What can we do to try and minimize or eliminate that additional cost? That's why we're going through this exercise. So I very much appreciate what you're saying about that. The reason why sometimes there's HST when you do grocery shopping is that basic groceries are exempt as they were under GST. So when GST does not apply to basic grocery, neither does the HST. But it's always applied – you're still going to be paying it on things that are not basic grocery. If you're buying paper products, or brooms, mops, you know, those kinds of things. Maybe if you're buying packaged food, for example, like a sushi takeaway kind of thing, those things that always had GST that applied to them will also have HST applied to them. So that's maybe why there's some confusion when you think it always applies. It's not applying to basic groceries, just so you know.

But I don't want to pretend that it doesn't have additional cost because it does. Now, I would argue and again, we've made the point that the reason we did that, and why we're going to take some of the hits, for the fact that 80% of consumer spending does not change. In other words, you still got  $7+5=12$  in 80% of consumer spending that hasn't changed when you go buy your TV or you go buy clothes in a store. Most of your retail spending has not changed one bit. But we recognize that on 20% of consumer spending, there is now that additional 7%. So we're trying to be very upfront about that. And the reason why we're having this listening exercise, to say, how can we try and mitigate that or eliminate that? And I think what you're saying is, Minister, I understand it's a cost and I want you to mitigate it. And I accept that message, [caller], and we're going to take that back and look at how we can do that. So thank you for that question.

**Moderator:** Thanks, Minister. We've taken our last call for tonight. But I do urge you to stay on the line after we're finished here. You will be able to leave the message for government with your thoughts or questions about HST. But right now, I like to ask the Minister to make any final comments.

**Hon. Kevin Falcon:** Great. Well, first of all. I want to thank all of you for joining us here and having 24,000 people participate on this telephone town hall. It's truly exceptional. And I really appreciate you folks were taking whatever time you've taken to listen in and for those of you that have questions, to ask questions. I tried to get through as many as I possibly could. I think what I can tell you is the essential thing I often hear is, you know, folks are saying look, there is an additional impact on us, and we want you, government, to understand that additional impact. You know, as I pointed out earlier, I think it's important in government. I ran for public office, as did most of my colleagues, to actually reduce the

burden on people. That's why personal income taxes have dropped by 37%. That's why we steadily reduced the business tax rate and the small business tax rate to where we got some of the most competitive taxes in Canada. It's why, if you look at our overall tax burden, whether you throw in other costs, whether it's property tax, income tax, as well as HST, you lump it all in together and you will see that British Columbia – compared to the other provinces – has the second lowest overall tax in the country. Alberta just edges us out. So I think that that doesn't mean we can't do better, and it's why we're having this listening exercise and why we're looking at ways that we can improve the HST, improve it such a manner that we keep what, at the end of the day, we really strongly believe is good public policy that will create a minimum of 24,000 new higher paying jobs, create a stronger economy, grow the economy – which will generate increased revenue to support healthcare, education and the kind of things that the public care about. So thank you so much for participating. Thank you for your questions. Thank you for your input. And we'll take that back, and we'll be reporting back to you all shortly in a very public way about how we might make some changes to try and improve HST. I appreciate the time you've all taken.

**Moderator:** I mentioned earlier, if you didn't get a chance to speak to the Minister tonight, you still have an opportunity to have your say on the HST. Just stay on the line when the call is finished. You'll hear a prompt and then you'll be able to leave a message. Thank you to everyone for participating tonight and thank you, Minister. I'll now formally close this town hall. Goodnight.

**May 10<sup>th</sup>, 2011 Transcript: Mid Island, North Island and Southern Coast Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST Town Hall with BC's Finance or rather Minister of Transportation and Infrastructure, the Honourable Blair Lekstrom. My name is Allison and I will be the moderator for the town hall this evening.

Before we begin, I'd like to say a few words about how this town hall will proceed. The Minister will have some short introductory comments and then we will proceed with a live question and answer period. A word about privacy here, this call is being recorded and will be transcribed and posted on our website, so if you do not want your ideas, comments or opinions to be part of the transcript, I recommend that you remain in listening mode.

So that we can include as many of questions and comments as possible on this call, please keep them short and to the point. If you wish to ask a question during the town hall, please press star 3 on your keypad. That's very important, star 3 on your keypad and you will be connected to an operator. For your privacy, please use only your first name when speaking to the operator. We want to hear a wide variety of views and questions from the audience tonight. The operator will make sure that we reduce duplication of comments. When you hear me announce your name, your line will open and you can ask the minister your question. After you've asked your question, your line will be muted so that the Minister can respond and you will be placed back in listening mode. Please note that there will be no questions after the question and answer. There's no time for follow up questions, so you'll just have one question and one answer. I asked that you use polite language on this call as well. Anyone using bad language or swearing will be cut off. Later in the call, you'll be able to provide your feedback on the HST directly to government by answering a couple of multiple choice questions. These questions are not scientific, but they provide an opportunity to engage you on some important questions about the HST in British Columbia. Thanks for your patience, everyone. We will do our best. We may not get you everyone who has a question or comment for the minister tonight. However, if you stay on the line until the end of the town hall, you will have a chance to leave your comments in a recorded message.

Again, if you want to ask a question, please press star 3 on your keypad. That's star 3 to ask a question. I'm going to turn the call over now to Minister Lekstrom for his opening remarks. Minister.

**Hon. Blair Lekstrom:** Well, thank you very much Allison and good evening, everyone.

I want to start by thanking you for taking time out of your busy schedules to participate in this telephone town hall. This is the third one I've had the opportunity to host and participate in and I think it is an incredible way to try and engage the public on different issues.

The reason we're here obviously is to discuss the HST and hear from you your ideas, if the referendum, and the people of British Columbia have earned the right to have a say in this. If the decision is made to keep the HST, or you think you have ideas on what would make it better or enhance it, that's what we would like to hear from you this evening.

Joining me on the call, I have MLA Ron Cantelon, as well as MLA Don McRae joining us on the call this evening. They will be listening in.

You know, this is an important time in the province of British Columbia. I think it's fair to say that everybody recognizes that there are two issues at play here. One was the implementation or the role of the HST that government has clearly recognized was done, in probably, a manner that other governments from not just across the country, but around the world could look at and find a way not to do things. And our government has recognized that.

The other issue is to really make sure that before we all go to the polls and have the opportunity to cast our ballot, I think everybody has an opinion on the HST, certainly that I've spoken to. I want to do my best to make sure we all have an informed opinion so that when we go to cast our vote, we base it on the best available information that we have.

There are some time frames that will take place. Starting on the week of June 13th, the ballots will be mailed out to the homes around our province. By June 24th, most of you should have your ballot. July 22nd is the deadline for ballots to be received by Elections BC. That means they have to be mailed well before that and in the hands of Election BC. On July 25th, the count will begin and by mid-August, the results or the referendum will be announced.

I'm looking forward to hearing from you this evening. I will do my very best to answer the questions that you raise with me as well. I will point out a couple of times through the evening, we have a website it is [www.hstinbc.ca](http://www.hstinbc.ca) full of valuable information. There's also a new survey and comment section on the HST on this website as well and I will encourage you to participate in that. Without taking up any more time, I want to pass it over to you and I will open up the telephone town hall and hear from you.

Again, thank you for participating

**Moderator:** Thanks very much, Minister Lekstrom. I'd like to remind everyone that again, if you would like to ask a question, please press star 3 on your keypad. That's star 3 on your keypad to ask a question.

Just to get things rolling here, Minister, let me start by asking you this question, I think some people are wondering about this. Why does the province choose to hold the HST referendum using a mail in ballot, and when can people expect to receive their ballots?

**Hon. Blair Lekstrom:** Well, going to a mail in ballot, I think there's a number of reasons. One, I think it will save the taxpayers close to \$18 million which is money that can go to other services that I think most British Columbians would like to see funded and, you know, whether it'd be health care, transportation, education. So very significant benefit financially.

I also think it gives additional flexibility. I mean, I think most British Columbians would agree, we live a very busy life - most families - sometimes families or people that are eligible to cast the ballot are not there on voting day. This allows that flexibility to take place.

Also, you mentioned the dates. The ballots will load on the week of June 13th. Everybody should have received their ballots by June 24th. They do have to be returned and in the hands of Elections BC by July 22nd, no later. So it gives quite a great deal of flexibility.

It also will allow time for, you know, whether it'd be families sitting around the dinner table, or speaking with your friends, the ability to discuss this back and forth with the information that's shared. There is going to be a mail out that comes to every household in this province and it will include both the pro side and the con side to the HST which is very important, so that people can make an informed decision. So that's really it in a nutshell, Allison.

I think it's the right way to do it and certainly, I know Premier Clark made a commitment to expedite this vote and move it forward. We are not only going to accomplish that but do it in a very cost effective manner.

**Moderator:** Okay, excellent. Thanks very much, minister. Again, if anybody would like to ask a question, please press star 3 on your keypad and let's go to the lines now.

We have a question on the line from [caller] who wants to know where the money, how much if any of the money collected from the HST will be paying down debt? [caller], go ahead please.

**Caller:** Yes, that is my question and I'd like to know if it has even been thought of - or whether it's just going in to general funds? I would like to see some of our debt paid down and I'm willing to pay it for that.

**Hon. Blair Lekstrom:** All right. Well, thanks for the question, [caller].

All of the, right now, revenue is allocated to health care as we collect it. So what we're doing in British Columbia, I think most British Columbians recognize that we are delivering, you know, a great deal of services to British Columbians. Unfortunately, we are not collecting as much money as we spend today. We have made a commitment to get back to a balanced budget situation and we're going to do that.

We spent today, you know, over, I think it's \$17 billion on health care. Roughly 42% of every dollar we collect in the Province of British Columbia goes directly to health care, 27% goes to education, 8% goes to our social services, 6% goes to interest on our debt and 17% is left to provide every other service that we enjoy. So the money will be allocated to health care, but that, you know, when the money goes into the consolidated revenue fund, you have to apportion that to meet all the needs that British Columbians rightfully, require and deserve.

The key for me and I think most British Columbians agree with this, certainly when I've had the opportunity to talk to them is, we have to quit spending beyond our means. We have to quit spending money that we don't have today, forcing our children and grandchildren to pay for that. You know, that takes all of us, that takes not just government, but each and every British Columbian to really put their thinking cap on. It's just not realistic to I think say, I want more services, I want more spending, but I want to pay less taxes. That just doesn't add up.



Hopefully I've answered that, [caller]. So the money in a nutshell is going, it's allocated to health care

**Moderator:** Very good. Thanks, minister. And let's go now to [caller] on the line. [Caller] has a question about what happens if the HST is voted down. Go ahead, [caller]

**Caller:** Yeah, my concern is that money is going to come from somewhere and this is voted down, you know, where is that money going to come from, I guess?

**Hon. Blair Lekstrom:** Hi, [caller]. Well, again, if the decision by British Columbians is to go back to the PST + GST taxation system that we had previously, you're right, the money will come from you and I, [caller]. It's where it's going to come from, it's going to come from British Columbians.

We will be responsible to pay back the \$1.6 billion that the federal government has transferred to us. There is additionally the issue of lost revenue in the future years as we look at what's being collected. So as we plan, and in British Columbia we run a 3-year rolling fiscal plan, you know, the amount we're going to spend on health care or education or in this case, it represents transportation and infrastructure. There'll be some difficult decisions ahead of us, but, you know, we'll face that when we see what happens and go from there. Thanks [caller].

**Moderator:** Thank you, minister and going now to well, first of all if you are wanting to ask a question, please press star 3 on your keypad. Star 3.

And let's go now to [caller] who has a question about the items that are taxed under the HST as opposed to the PST. Go ahead, [caller].

**Caller:** I just wanted to know if the government's going to publish a list of stuff that was previously not taxed by PST, and once they invoke the HST, they brought that into the HST that wasn't previously on the PST?

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Hi

**Hon. Blair Lekstrom:** Yeah, we are actually; it is on and I'm not sure if you were on the call - I'll get you to visit the website - it's [www.hstinbc.ca](http://www.hstinbc.ca). There is a list on there as well, everything that is under the buying goods section.

So if you visit that, you will see the list. Everything that virtually, as a rule everything that was GST applicable before that we pay the GST on, is now HST applicable. That's it in a nutshell. It does include additional items that you and I didn't have to pay the PST on before without question.

I think the latest report that just came out indicates that on average, we would be affected as families to the tune of about \$350 per year and it goes from there. But really depending on how you spend your finances is going to dictate the impact that this could have on you or the net benefit it will have on you. Thanks, [caller].

**Moderator:** Going now to the phone lines and I hope I'm saying your name right, it's [caller] and [caller] has a question about the effect of the HST on seniors. Go ahead, please.

**Caller:** Oh yes, I thought I already asked that question. Do I have to ask it again?

**Moderator:** Yeah, go ahead and ask it again

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Okay. Hello, Minister. I just wonder why is it you think seniors can afford to pay the further tax better than corporations? You know, papers and on funerals and deli meats and people, or if seniors, for instance, aren't able to cook for themselves and they, et cetera.

Why do you think we're able to come up with all these extra money? Also the other question I had, was why does Kevin Falcon come on the radio and I feel like he's threatening us, if you don't vote for the referendum, we're going to increase the PST. I thought if we don't vote or if we defeat the HST, then we will go back to the old system of the PST and the GST, where the, a lot of things aren't covered by the PST. Is this different?

**Hon. Blair Lekstrom:** No. That's a great question.

I'll answer the second one first. If the people of British Columbia decide in the referendum that they want to go back to the PST and GST, that's what we will do. Just the format that we had. So I do think that, I heard Kevin's comments, I think maybe they were taken out of context. I believe in question period he cleared that up today. So hopefully that's dealt with that. I didn't take it as a threat, but there is a reality. There is a cost associated with going back to the PST/GST. Not just the \$1.6 billion. But also, there is projected revenue increases. I think it's fair to say, you know, when you look at the out years, we're talking hundreds of millions of dollars that this tax will generate in additional revenue. There is no question. But the other side of that coin is, it doesn't go anywhere except straight back into the services you and I enjoy, whether that be health care or education. So hope - that's the second question.

The first you talked about was how could seniors afford this? Actually we're trying to make sure, not just for seniors, but for low income British Columbians, they are looked after and actually, there's 1.1 million low income British Columbians, of which I believe about 20%, are seniors will be actually receiving a net benefit from the HST cheques that come back to them. It's an HST credit cheques of which will help offset, that applies for low income people in British Columbia.

So, you know, I don't know what the situation is that you were talking about. Traditionally whether you're a senior or a non-senior, but on the higher end of the income scale, or, you know, you're facing a different amount of money, low income people are looked after. That way, you know, I'll go a little further - there's about 325,000 people in British Columbia now through the changes that we've made in our taxation policy that pay no personal income tax, British Columbia personal income tax. There's also that same amount no longer pay the MSP premium, I believe they're exempt from that in that number. So you try and find that balance without question. And the priority is that those that can least afford

increases, whether it'd be in taxation or fees, we're doing our very best to make sure that we not only look after them, but actually under the HST they will see a net benefit. And thank you for the question

**Moderator:** We are on the line with the Honourable Blair Lekstrom, the Minister of Transportation for British Columbia and once again, if you would like to ask a question, do press star 3 on your keypad. We're going to the lines now and [caller] is on the line. He has a question about the cost of repealing the HST. Go ahead[caller]

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Yeah. Hi there.

**Hon. Blair Lekstrom:** How are you?

**Caller:** Blair, with the... oh I'm not too bad.

With the HST, as it seem, it's already in place, okay? You know that and I know that, we pay it. Yeah, how much difference really is there? Now what is the true cost of HST for seniors or for middle income or high income mattering not.

How much - what is the actual difference today to what it was with the GST PST combination. Not much, is there?

**Hon. Blair Lekstrom:** You know what [caller]? That's a great question.

No, there isn't. There is a report that just came out that talked about for the average family in British Columbia, this will increase the yearly expenditures by \$350. Now, I don't want to minimize that. There is an added cost without question, but in order to be able to spend money, I'm a believer, you first have to have a job to earn the money that you're going to spend and that's very important. So, we have to be competitive, [caller], and we compete in this global environment and I know whether people like that or not, that is the world in which we live today.

So governments don't create jobs. We create an environment where the private sector wants to invest their money - that's who creates the jobs for ourselves and our children as we grow up. And if we're not competitive as a jurisdiction, they take that money and invest it elsewhere. So it's a fine balance that governments, not just in British Columbia but across the country work on and that's trying to find the right taxation model that will attract private sector investment and the same time, allow the people that live in our Province enjoy a quality life and enjoy the services that we provide.

So is there a big difference? A lot of that answer would come in on how people spend their money, but on average - the average family will be impacted to the tune of \$350 per year. And thanks, [caller] for that.

**Moderator:** Thank you, Minister. We'll get back to the phone lines in just a second, but I have a couple of questions.

They're feedback questions to get your thoughts on the HST. So everybody that's listening in, we'd like you to vote. I'm going to be asking you to select an answer by pressing a number on your keypad. Please listen carefully to the option that I'm going to read. I'll read the question and the answers twice. Here is the first question.

Government's HST revenues increase faster than PST revenues would have because the tax that is for the HST is broader. If you could pick one way to use any additional HST revenue, which of these would you choose? There are three options.

The first one, increase spending on health care and education. If you agree with this option, press 2. Reduce British Columbians tax burden. If you believe this one then, press 3. Provide additional support to families with children. Press 4 if you agree with that statement.

Let's read the question and answer options one more time. Government's HST revenues increase faster than PST revenues would have because the tax base for the HST is broader. If you could pick only one way to use any additional HST revenue, which of these would you choose? The three options again.

One, increase spending on health care and education, press 2.  
Reduce British Columbians tax burden, press 3.  
Provide additional support to families with children, press 4.

And let's go back to the phone lines. [Caller] is on the line with a question about the motive behind HST. [caller], go ahead, please

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Mr. Minister, yeah, I'm a small, been a small business man and I have noticed before we collected the GST and PST, but basically we did it for free. Now that we collect the HST, we actually sort of get paid because we get the HST back on our purchases.

Now, what I've noticed is that previously, small business sometimes if there was a deal happening, they'd take cash under the table. There is no motive for doing that anymore because, yeah, you get your HST in just about back. And I just wondered if that was part of the philosophy that initially put the HST in - that more tax would be collected and less cash under the table? That's my question.

**Hon. Blair Lekstrom:** [caller], that's a great question. And you know that wasn't part of the motive. I guess that's a positive, unintended consequence of what the HST has brought.

The real issue was that following the last election, we came back. I think everybody recognized the global economic meltdown that was happening and everybody's finances around the world was being affected. Obviously ours was no different and we found ourselves in a position that we weren't only \$500 million short, we were in the billions of dollars. And people say, how can that happen? I'll give you a quick example, for every \$1 that natural gas drops in price, we lose \$300 million of revenue in the province of British Columbia.

So I'll give you an example. I think today, I haven't looked at the exact number, but we're probably in the \$4.40 range, \$4.40 per gigajoule. It wasn't that long ago, too many years ago, we were over \$10. So pretty substantial loss when it came to that.

I think when I talk to people, [caller], you know, they say, hold it – 'I'm not sure I believe you it wasn't on the radar; we think it had to be'. You know, I sat at the Cabinet table at the time, it was not on our radar. We came back after the election. The decision was made and I'll give you my view of this - There was no decision made with any malicious intent. This was a decision made during that global economic meltdown that government thought was going to help stabilized our economy and help us remain competitive.

Where this went sideways, it's government was so captured in trying to deal with this that they forgot to bring the public that they represent along. And that really is why we're at the position we're at today. The people of BC took great attempts and said, you know what? We're going out and they earned their right to have a say in this.

It's not very often you ever see a government admit a mistake and I'll tell you what, in this case, I'm proud to be part of a government that has said, you know what? We made it with the best of intentions, we obviously delivered this tax wrong. We made a mistake and we want to hear from British Columbian.

I've watched over my 25 years of study of government. Many governments who make a mistake, try and justify that mistake instead of saying that they made a mistake. So right now, the tax is in the hands of British Columbians because they earned that right and my big encouragement to every British Columbian going to cast a ballot is - don't base your vote on emotion. Let's make sure it's based on the factual information and then we'll go from there. Thanks.

**Moderator:** And reminder to everybody on the line that if you would like to ask a question, do press star 3 on your keypad.

Let's go to the line now and it's [caller] who is asking, how much the government is spending on advertising or promoting the HST. Go ahead, [caller], please

**Caller:** Mr. Lekstrom

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Hi. I got to figure out what my question was because I've had so much information put to me.

A couple of things I'd like to comment on. I believe that your government is only admitting that they were wrong having presented this to us after the fact and after hundreds of thousands of people signed stating we were not impressed with how it was done.

**Hon. Blair Lekstrom:** I agree with...

**Caller:** When you left the government and I thoroughly thought that I would miss you being the only Liberal that I've respected. Anyways, my question is, money is going to the opponent and the

proponents for the HST. Government is also spending a substantial amount of money defending the HST. Why is that and how much is that?

**Hon. Blair Lekstrom:** All right.

There's \$250,000 going to the pro side; there is \$250,000 going to the con side. There is an additional \$500,000, I believe it is, that it's going to the colleges and universities to host public forums. They're going to host 11 of them. Then, there is another \$700,000 that will be put forward in the form of a mail out that is going to go to every household, and the mail out, [caller] is covering both sides. It is not just the government side or the pro side. It is both the pro side and the con side to the HST. The whole issue is about trying to get the information out there and let people make an informed decision. The government is going to spend money. I know the Minister of Finance had indicated he'll release that as soon as he has those figures in. So there'll be nothing hidden there at all.

You did state that we did this after we recognized after the fact without question. I wouldn't side step that. It was clear that the people of BC spoke very loud and very clearly that they wanted to have a say in this. They went through, realizing the Recall and Initiative Act to earn that right. It's a great piece of legislation that we have in British Columbia and I think British Columbian should be proud. I think they made history not only in our province but really in our country to show what the power of the electorate can do.

As I said, it's pretty rare you hear a government and certainly I'm not sure I can remember a time when I've heard a government say we made a mistake. Our government has said that in the way this was delivered and we are now in a position where the people earn their right to have a say and I'm looking forward to the, the results of that. Thank you.

**Moderator:** Thank you very much, Minister. I wonder, we have a lot of people on the line now and some of them may have missed your opening comments. I wonder if you could repeat them right now?

**Hon. Blair Lekstrom:** All right, well thank you, Allison.

For those of you that have joined us, I want to welcome you. Thank you for taking time out of your evening to come on this telephone town hall about the HST. For those of you that are still on the line from the beginning, thank you as well.

Tonight is really about hearing from you. Ideas that you have about the HST. If you had ways that you could improve this tax, what would they be? We want to hear that. There is really - we are open for any questions. I indicated earlier, I will do my very best to answer it.

There is also a website that I encourage everybody to go and visit. it is [www.hstinbc.ca](http://www.hstinbc.ca) and there's also, on that website, there's a new survey and comment section on the HST and I encourage you to participate in that.

The people of British Columbia, I've said this numerous times on the calls I've had, this is the third telephone town hall I've been on. The people of British Columbia earned the right to have a say in this

tax and without question made history. Tonight, I want to hear from you. What do you think would work if this tax was to be maintained by British Columbia in the upcoming referendum? What could we do as a government to improve it? And that is really it in a nutshell, Allison. So thank you for that.

**Moderator:** Thank you. We are on the line with the Honourable Blair Lekstrom, the Minister of Transportation for British Columbia.

And again, if you would like to ask a question, do press star 3 on your keypad. Let's go now to [caller] who has small businesses and wonders what the advantage to small businesses there is in the HST. Go ahead, [caller]

**Caller:** Good evening, Minister

**Hon. Blair Lekstrom:** Hello

**Caller:** The government that I voted for and wholeheartedly support - tells me that the HST is good for business. I'm the owner of four businesses. One of them is a fast food restaurant. Sales since the HST was brought in, down 18% resulting in some layoff of staff, and some, some hardship.

Second business is an amusement park. Sales down approximately 20%, staff layoff. The amusement business was not subject to PST before this was brought in.

Third business, vending machine business. You can't tell a vending machine to collect an extra 12% when something like that comes in place. I've been forced to sell my vending machine business, laying off 5 people and seeing a significant reduction in my income

And last but not the least, I have a dealership for electric motorbikes, and they were exempt from PST because it was a green initiative and it appeared that the government was anxious to get cars off the road and put non-polluting vehicles on the road. But they are now subject to HST and sales are down significantly in that business.

I also feel like I'm an unpaid tax collector right now. I used to get a small amount of money for collecting the PST on behalf of the government. Now I'm collecting more money for no assistance in doing that. So I appreciate hearing your comment.

**Hon. Blair Lekstrom:** All right. Well, [caller] thanks for your comment and question as well.

Obviously, you've been impacted negatively without question. I don't think there's anything I can say to say, gosh, it's just going about it wrong or whatever. Restaurants, there is an impact on when we go out now for dinner, but the overall intent of the HST with businesses - and obviously not all because you've just laid out a very good foundation of the impact that you face directly - is that the HST will eliminate the duplication.

I began to hear about this back in 2002 when I first chaired the Finance Committee in British Columbia where business association after business association came and said, harmonize our PST and GST. And at that time, I began to learn a bit about it. The HST for the most part and again, I'm not speaking



directly to your businesses, [caller] because I think as you've laid it out, I think there is an impact and a negative impact for you. But the broader side of it is, they should save business about \$150 million in administration cost of doing business. It will streamline the process. Rather than filing two - they now simplify it with a single return on the HST.

It also will allow, and in many cases, it will level the playing field. I know many people do compete with the Alberta side where there is no provincial sales tax there at all. When businesses do compete, they now can claim back on their inputs, the full 12% versus before. So I think there's many positives to this. Unfortunately, without sidestepping the question and I won't do that for you [caller], it sounds like you have been impacted probably as significantly as anybody I've talked to on this and I don't have a better answer for you than that.

**Moderator:** Thanks. Let's go to the line now. [Caller] has a question about consultation with the public and why it wasn't done. Minister Lekstrom, rather [caller] go ahead.

**Caller:** Hello, minister. Yeah, I was just wondering, kind of answered this earlier, but why you didn't do this in the first place? And since you pretty much answered that question, maybe I could ask a separate one.

**Hon. Blair Lekstrom:** All right

**Caller:** I think that the government's taking a bit more money out of the pocket - so you said \$350 a year per families. Would the government consider a reduction in the HST in order to make that more of a balance for the individual citizen paying the tax? Maybe a 6% instead of 7%?

**Hon. Blair Lekstrom:** All right. Well thanks for that, [caller].

I know our Minister of Finance has spoken about that as well. It couldn't happen immediately because of the contract we are in with the federal government, but that is exactly what we're doing here this evening, is hearing that. I've heard it from a number of people, [caller], talking about, you know, as we move forward, something that may be more palatable when it comes to the HST is if financially, we're able to to reduce it one point or two points.

The challenge presently is that for every one point that we would reduce our portion of the HST which is the 7% has about an \$800 million impact on the provincial treasury. So right now, we're clearly focused on making sure we get back to a balanced budget situation. I think once we're there which is a couple of years out, those are the type of things that I know we want to look at. I can't promise that in two years or three years, the percentage will drop from 12 to 11, but I do know that that has been a focus of many of the callers we've spoken with.

I know the Minister of Finance has heard that as well. But the key issue right now - I go back to this, I said it earlier, - we're spending more money in British Columbia delivering the services we all enjoy than we're bringing in. That's not sustainable. We have to first and foremost get back to a balanced budget situation and then if we're able to look at taking a point or whatever the number would be off of it, I think that's a discussion that could occur definitely. Thanks, [caller].

**Moderator:** Let's go now to [caller] who ask the question about the HST and single parent. [caller], go ahead.

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** How are you doing? First off, I'd like to thank you for taking my phone call.

**Hon. Blair Lekstrom:** All right

**Caller:** Secondly, my question is this, with the HST increase, you say it only impacts a person \$350 a year. I have to say that I don't fully agree with that because I'm spending on average an extra \$20 a week which is an extra \$80 a month which is an extra \$960 a year on food.

**Hon. Blair Lekstrom:** Wow

**Caller:** Because of the HST. So I see that's a bit far cry from \$350, and if the government knew that they made a mistake, why wouldn't they resurrect it and go back to GST and HST?

**Hon. Blair Lekstrom:** All right. Good question, [caller]. I'll try and answer.

The mistake I talked about was the roll out or how this was ever put forward to the people. That was what I was referring to. I mean, I've made some significant decisions here of, you know, a year ago and made the decision I did because of the unwillingness to engage the public. I'm obviously back now because there has been a change on that front.

But the - and I want to be clear on this - the mistake that I think was made with how this was rolled out to the public, without question, and I don't talk to any of my colleagues who don't agree with that and I think most of the population would agree with that. So we're correcting that.

You made a comment on food that you're spending substantially more. I'm going to answer this in two parts. One, I have to believe that you're referring to going out for your meals, because that is an impact, direct impact. There is not a great deal of food in our grocery stores impacted by this change. There was a limited amount in our grocery stores that when you look at it, was GST applicable before, it is now HST applicable. But the vast majority of the groceries we buy are not impacted whatsoever.

Now, [caller], if you get the chance and I haven't answered your question fully, I'll encourage you to go visit the website - [www.hstinbc.ca](http://www.hstinbc.ca) - and you can find out information on there which will hopefully help you on this. But if there was an impact, it wasn't \$350 a year per person, it was for the average family in British Columbia, the impact is \$350 as well.

I'm just trying to crunch some numbers here. To spend \$20 or more in tax, you'd have to spend \$285 a week on food based on how the HST is applicable today. So, hopefully I'm not saying you're not spending that, but, you know, maybe there's some other expenditures that are coming in that may reflect part of that as well. So thanks for that, [caller].

**Moderator:** And thank you, Minister Lekstrom. We are on the line with Blair Lekstrom the Minister of Transportation for British Columbia. And a little earlier in the call, I asked a feedback question. I have another one now. It's the second feedback question that we would like to hear from you.

I'm going to read the question and the answers twice. Again, select your answer by pressing a number on your keypad and here is the question.

If British Columbians choose to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose? There are three options.

The first, increase the PST rate. If you want that option, press 2.

The second, raise income taxes or other taxes, press 3 if you agree with that statement.

And run larger deficits is the 3rd option, press 4 on your keypad if you want that.

The question one more time, if British Columbians shows to return to the PST and GST system, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose? The three options again.

First, increase the PST rate, press 2 for that one.

Raise income taxes or other taxes, press 3 for that one,

And run larger deficits, press 4 for that one.

And let's go back to the phone line again. We have [caller] on the line and she is asking where the money from the HST is going? [caller] go ahead, please

**Caller:** Hi

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** How are you?

**Hon. Blair Lekstrom:** I'm good. How are you doing tonight?

**Caller:** I'm okay

**Hon. Blair Lekstrom:** All right

**Caller:** I just wanted to know, if we go back to PST and GST, do we get any of the money back from the HST that was taken?

**Hon. Blair Lekstrom:** [Caller], that's a good question and I think it's asked by a lot of people and no, there is no refund on the HST that's been paid to date.

What will take place when the people of British Columbia make their determination on this referendum if a decision is made to maintain the HST, it will carry on as we're doing today. If the people of British Columbia determine they want to go back to the PST/GST, that process will begin. It will take some time

to get us back there. It won't be overnight or within a week or a month. It will take some time to get back there, but I know the government is committed to do it as quickly as possible. But there is no rebate that comes back on the HST that's been paid to date. Thanks for that question.

**Moderator:** If you'd like to ask a question, do remember to press star 3 on your keypad.

Let's go now to [caller] who has a question also about the surplus of the funds generated by the HST and where they will go. [caller], go ahead, please

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Hi. Just wondering, does the government plan to rebate the surplus funds generated from the HST back to the taxpayers?

**Hon. Blair Lekstrom:** I think you're referring to the new money that will be generated from the HST. Right now, [caller], we actually are in a deficit situation in British Columbia. So that means that we're not collecting as much money as we're spending on the services that you and I enjoy and our families and every other British Columbian. So our focus clearly is, there is no surplus money at this point. As I said, we are living well beyond our means and every year that we do that in British Columbia, means our children and grandchildren will pay for our over spending today.

Our focus is to get back to a balanced budget situation within two years, that's the plan and we're going to do our best to do that. If after that time, if after we reach a balanced budget position in British Columbia, if the ability is there to look at new taxation management or so on, we would utilize that money there. But right now there's a reality - we spend, you know in 2001 we spent, and I'll use round numbers, a little over \$8 billion on health care today we spend about \$17 billion so more than double, going to over 18 billion within the next year and a bit. So there's not a great deal of room from what we would refer to as surplus money.

We, today in British Columbia pay lowest personal income taxes in all of Canada on the first \$119,000 of earned income. We have eliminated taxes for low income British Columbians. People that earn \$18,800 or less per year - they now pay no provincial personal income taxes. We've tried to make sure that we live in a competitive province when it comes to business taxes and corporate taxes as well. I think we're finding a pretty good balance.

So as we move forward, if there is excess money or surplus money brought in, I guess the discussion, and that's why we're having it tonight, is what could we do to enhance the HST? Would that be reducing it by a point? Would it be making other alterations and I want to thank you for that question, [caller]. But today there is no surplus money even with the projected increases of the HST, we are still extremely challenged. We run, and I'll just close with this. I'm eating up a lot of time, I know. We spend \$41.9 billion in British Columbia this year delivering the services. 42% of that goes directly to health care, 27% goes directly to education, 8% goes to our social programs, 63% goes to pay on debt. That leaves 17% for every other ministry and service that we enjoy. So the big elephant here is health care without question. Thanks for the question, [caller].

**Moderator:** We also have a question now from [caller] and his question is about low income people and the determination of the amount going back to low income people. [caller], go ahead.

**Caller:** Yes, good evening and sorry for I have a dry mouth. And just thank you very much, minister

And I can back you up, of course, on no income tax on low income because I just want to ask some stuff. My income is approximately \$11,000 per year and I - that's on private insurance, I'm on disability, but through private insurance disability. I don't do it from the provincial government or anything. And speaking of the HST, I was informed I'm just getting a brand new brace for my left leg that, I have cerebral palsy - sorry if I get emotional here. Now that's going to cost me \$1000 from my money of that \$11,000, but if I should be able to get \$150 back from SunLife, but also, if I get a prescription for the \$200 for the shoes, if I get a prescription, I won't have to pay the HST on those \$200 pair of shoes for the brace. So that's good news. So that's \$1000 for the brace, \$200 for the shoes that I have to pay out of my pocket, but that's okay. I'm not complaining because I do live in the best province in Canada and that's good.

But my question is, sorry, my question is, who determines the percentage that goes for the low income people? The percentage that we get in that check that comes to us or whatever that goes along with the GST, you know, in the checks they come in June and January. That's my question.

And a great, thank you very much for inviting me to participate in this phone session. It's wonderful listening and participating. Again, thank you very much. And again, I participate. I'm just involved with Handydart - that's a wonderful system. It's again, and again, I think health care system is wonderful and again, that eats up a lot of money, great health care system and again, it's like I go through private insurance and it's wonderful. Anyway, thank you, minister. Over to you.

**Hon. Blair Lekstrom:** Hey, [caller]. Thanks very much and I tell you what. You got a great attitude there, because I know, I tell people that, on our worst day in British Columbia, we'll have it better than 90% of the world will ever enjoy on their best day, and it's what we make of it.

So you ask who determines the amount that comes back on that, that is us. That's the Provincial Government and you're referring, I believe, directly to the HST credit cheques that comes out or rebate cheques, pardon me, that will come back to you on a quarterly bases. That is really there to help lower income British Columbian, whether it's an individual, whether it is couple or a family. It really is based on the amount you make. But a low income British Columbian, I touched on this earlier, [caller] there's about 1.1 million British Columbians who qualify for this HST rebate cheques which is good news for them. The vast majority of them come out ahead, as a result, of this cheque going back to them.

Thanks for your comment, [caller]. Thanks for your question. Hopefully I have done justice in giving you an answer on that.

**Moderator:** Thanks, minister. That previous question was about low income earners. This question is from [caller] and it's about middle income earners. [caller], go ahead.

**Caller:** Hello there and thank you for having me on. I love to see democracy in action.

**Hon. Blair Lekstrom:** All right, How are you doing tonight, [caller]?

**Caller:** I'm doing okay. I'm happy to be a part of this and to voice my opinion.

**Hon. Blair Lekstrom:** All right

**Caller:** You mentioned relief for the lower income. But I would like to know what relief is in sight for the middle class?

Earlier [caller] with the electric bikes mentioned small business. I did want to bring that up because if [caller] is from the Comox Valley. He lost my sale because of the HST. Mind you if it goes away, I might just go see him if he's from the Comox Valley because I was looking at buying of one of those things.

The reason I bring up small business is because in the Comox Valley here, there's a lot of small businesses suffering. There's a lot of unemployment as a result of small businesses suffering, and I'm not just talking restaurants. I'm talking just about anything. I, for example was starting a small business and it's now sitting in my backyard on hold, because I realized that the market wasn't there. With the increase in the cost of living, now this isn't all about the HST. For example, food prices are impacted by the HST in... I'm getting tongue tied here because there's so much to say - But food prices for example, they go up when gas goes up, they stay up when gas comes down. Gas goes up a little again, food prices go up, gas stations come down again, food prices stay up. If there's a little bit of profit in, you're way of in the back water somewhere in the back side of the world, wheat prices go up everywhere. So the HST on top of that...

**Hon. Blair Lekstrom:** All right?

**Moderator:** I think we lost him. I think the question though was, minister, what relief is there for middle class people?

**Hon. Blair Lekstrom:** I think and I'll try, and he covered [caller] you covered a great deal of ground, I'll do my best.

I guess the average impact, I said this earlier but I wasn't sure if you were on the call or not. There was a study just came out that for the average family in British Columbia, and that's obviously from the low end to the high end, so this is an average, the impact is \$350. The benefit, whether we talk, the HST or the province in general, probably some of the most significant things that we're able to talk about here in British Columbia, we now pay the lowest personal income tax in all of Canada for the first \$119,000 of earned income. I think that is a significant issue for all of us. The benefit, whether you'd be low, middle or high income as a result of the HST, this allows our province to be competitive with other jurisdictions. I've said this to different people I've spoken to and I believe I've reiterated that tonight - governments don't create jobs, we create an environment where the private sector will invest their money, that's who creates a job for you and I and our family. So we have to ensure that we are competitive. That's first and foremost because without a job, very difficult to spend.

You did mention that food prices have gone up. The HST is applied only on the items in a grocery store that was GST applicable before, not a great deal. The vast majority of products in grocery stores, in our staples we buy for our day to day cooking and at home, the HST has no impact whatsoever. So if I haven't answered your question fully, I'll refer you to the website as well, [caller]. It's [www.hstinbc.ca](http://www.hstinbc.ca). There's a great deal of information on there, in it's most basic form, what does the HST do for middle income or high income people because I think we've covered the low income side. It allows us to be competitive. It allows us to make sure we continue to create jobs, allowing our families to make a living and provide for themselves. So thanks for the question, [caller].

**Moderator:** Minister, we have a question from [caller] who wonders about the HST panel and the numbers that the panel came up with and go ahead, Bruce.

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Hi, Mr. Lekstrom.

**Hon. Blair Lekstrom:** How are you doing?

**Caller:** Hello. Can you hear me?

**Hon. Blair Lekstrom:** Yeah, I can

**Caller:** I'm doing good. How are you?

**Hon. Blair Lekstrom:** I'm doing well. Thanks

**Caller:** My question is, were you aware of the adjustment to the table on page 8 of the panel's report, the cost of the HST versus the PST? There was an adjustment put through on the numbers for the PST on that report of \$1.28 billion which was done to reflect the 90% of PST savings that the panel is assuming would be passed through to the consumers. So if we took that adjustment out, the cost to families of the HST rather than being 1.3 billion, would be 2.6 billion. So that's a very significant change and it's questionable. We don't know if 90% of the cost are going to be passed through or 10% or none. But anyway, on a cash basis, families are paying \$2.6 billion more. Furthermore, that impact the economics, the 24,000 jobs that they're talking about now, cost \$100,000 each to create. The growth at the end of 10 years is equivalent to only 1 year of the extra tax paid by the families. So I guess my problem is I don't see a lot of sound economics behind the HST.

**Hon. Blair Lekstrom:** All right. Well, thanks [caller] for that.

The report you're talking about, that's an independent panel, independent of government that did that. I won't have a good answer for you - it's a technical question that I, I won't be able to give you an answer to this evening, [caller]. You can stay on, if you're at the completion of this call that we're on there's an opportunity to put that forward at the end of the call by [leaving a] recording.

But the one thing that does happen here is there has been the question you raised it here as well. We're not seeing businesses pass on their savings to us - and you know what? I think that will take some time.



But the studies that had been done, if you look at the Atlantic Provinces or the other jurisdictions that have implemented an HST, those savings are being passed on to the consumer now. I think it is going to come down to good business practices and really the competitive nature of our business sector here. British Columbians will go to where they get great service and are treated properly and I do think our business community is going to recognize that they're going to have to work with this. If they realize savings, and they will without question from what I've looked at and studied, if they think they can put it all in their pocket and not pass on some of those savings to their customers, I don't think they're probably going to stay in business anywhere near as long or prosper as well as the business that shares that with their customers. That's the best I can do for you, [caller] tonight on that question. Difficult one but well thought out. Thanks.

**Moderator:** We are on the line with Minister Blair Lekstrom, the Minister of Transportation for British Columbia, and again, if you would like to ask a question, press star 3.

We have a question on the line now from [caller] who asked about the cost for seniors, Cost of things that are medically necessary. Go ahead, [caller].

**Caller:** Good evening, Minister Lekstrom.

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** My question has to do with supplements over prescriptions.

I currently pay about \$550 a year for supplements. First is \$100 for prescriptions, I'm a senior, there are far less side effects with supplements than prescriptions and I'm wondering if there's going to be anything done with the federal government to allow supplements as a medical expense? Because there's you know, I'm a low income senior, and I'm paying an extra \$50 a year on tax just on supplements. I wear compression stockings, they are prescription and yet, the HST has been added onto that. I belong to a senior's group, costs have gone up over 30% in the past 4 years, belonging to the senior's group and I'm just wondering what you are going to do about helping seniors as far as those extra expenses that have come on them? And I don't qualify for the rebate unfortunately.

**Hon. Blair Lekstrom:** All right. Well thanks [caller] for that.

And you know, your question really is why we're here tonight. What are we going to do? You've made some suggestions here and I'm going to take those. The whole intent of tonight's call is to hear ideas like you've just put forward, such as your issue on the supplements or impact on your, whether it be the membership for the seniors organization.

The one thing, and I'm not sure I heard you say that, the HST is not on prescription drugs at all. So that's important and I'm not sure that I heard you say that. I just want to make sure that in case I left any confusion in anything I said previously.

But [caller], the whole idea of tonight's phone call is to hear from people just like yourself on, you know, here's what you pay now, here's the impact of that HST is having. Why don't we consider looking at

changes to it as you've put forward? I would take those just like every caller this evening and the previous calls we've had, put that in to our mix and what we're looking at and see what we can do. But thank you for the question and the suggestions.

**Moderator:** We have a question now from [caller] who seems to have a bit of taxation fatigue. He wonders why the government seems to believe that higher taxes are always the answer. Go ahead, [caller].

**Caller:** Yeah, Minister, good evening and thank you for letting me participate here. This is actually quite a unique thing and actually the more I listen, the more I find what I'm going to say.

But anyway, that seems to be the gist of it and this isn't just a provincial government, federal government, every level of government seems to believe that if we need more money, we'll just crack up the taxes. And Translink in Vancouver, 'well we need to raise \$40 million to do this, so we'll just crank up the taxes'. And you know, quite frankly, the bucket's pretty empty. I mean, I'm a middle income earner; my wife and I both work full time. We're carrying a mortgage and we're, you know, we have three children and two cars. Between the cost of fuel and all the rest of it, I mean, my income has, my wages have increased .5% in the last 3 years because I work in construction and we've taken a major hit in our economic sector. You know, I just, I just got to know when the bucket's empty, I just don't know where the solution is. That's about it. Thank you.

**Hon. Blair Lekstrom:** All right, well, thanks, [caller].

And you're right. I mean, whether it is the provincial government, the federal government or local government, it comes from you and I. And people sometimes - I enter discussions with people and it's like they don't think I'm a taxpayer. I mean, first and foremost, I'm a British Columbian, I happen to also have the honour of being an MLA and serving as a minister of the crown.

But the one thing, [caller] I think this is a two edged discussion that takes place. Most of us, and I include myself in this - I catch myself - you know, wanting more. I want more services. Gosh, I think we could do a better job and spend more money here, and then on the other discussion I have with my friends, I don't want to pay more. And there's just something that we've got to be able to figure out, not just as government, but as all of us together. We can't continue to say I want better health care. I want better transportation. I want better social programs. I want better education and I've served now for 10 years in this position and before that I had the honour of being the mayor of Dawson Creek. It's pretty basic - if we want more, it's probably going to cost us more.

I think the days, and we did go through this, I think there was a lot of efficiencies found at all levels of government. I think there's always room to improve, but the old days of saying I want you to do more with less, I think we are in a world of today that we're going to do less with less, and that's the reality of what we say. We also though, we've tried to do our best in British Columbia, and I think we should all be proud.

I don't know if you were on the call, [caller] when I talked about what we've done with personal income taxes. We now pay the lowest personal income taxes in all of Canada for British Columbians that are up to \$119,000 of income which puts us in first place in the country on the lowest tax bracket. Also low income earners who earn up to \$18,800 of income a year pay no personal British Columbia tax now. So with all of our taxes considered - and there's a number of them and so we can't sidestep that - when all taxes are considered British Columbians, generally, have one of lowest overall tax burdens in the entire country.

So I'm hopeful. I know that there has been some challenge in your sector, but I do think it's rebounding and I think you got a very bright future ahead of you and I'm going to be very hopeful that you see that happen very soon. Thanks for your question.

**Moderator:** We have about another 20 minutes or so on the call this evening and we will try and get to as many calls as we can, probably have enough time for about another four. However, do stay on the line because if you, if we don't get to your question, you will have a chance to give your feedback at the end of the call. So I would encourage you to stay with us as we go through these last few calls here.

Let's go now to [caller] on the line who has a question about the cost of the administration of this tax. Go ahead, [caller].

**Caller:** Mr. Minister.

**Hon. Blair Lekstrom:** How are you tonight, [caller]?

**Caller:** First of all, let me tell you that I believe this is an extremely refreshing forum and I'm very glad to be part of it.

**Hon. Blair Lekstrom:** All right, thank you.

**Caller:** My question has to do with the administration of the various taxes. My understanding was that the PST was a fairly administrative and a heavy tax to collect and then HST actually is less so. And if going back to PST would increase the cost of administration from as government perspective, that concerns me. So could you comment on the cost of administration please?

**Hon. Blair Lekstrom:** All right. Well, great question, [caller].

The cost to the province is zero. We actually, there's a net savings of \$30 million by going to the harmonized sales tax, the Federal Government actually will deal with this now. So it's a net benefit when it comes to administrative cost here in British Columbia. So hopefully I've answered your question.

I do want to echo your thoughts. This is the third telephone town hall that I've had the opportunity to participate in. I can tell you, going into the first one, I didn't know what to expect. I've never participated in one before. I'll tell you, it's an amazing way to engage the people of British Columbia on major issues. I think this is a format that not only in our government, but probably other governments are going to look to and see how well it worked. I can't say enough about, you know, how this works and the people

that are willing to take some time out of their busy lives to participate. They don't have to leave their family home or wherever they're at. They can participate wherever they are. I think, I praise this method as well, it is a great way to do it, [caller].

**Moderator:** Thank you, Minister. And going now to [caller] on the line who wonders about the HST as opposed to just raising income tax. [caller], go ahead

**Hon. Blair Lekstrom:** Hi, [caller]

**Caller:** Well, hello. I accept and I understand the government needs more tax money. But I just want to understand what is the argument that the HST is a better way of raising that money rather than raising income tax particularly on high income earners?

**Hon. Blair Lekstrom:** Well, I think first and foremost. It really allows us to be competitive. I talked about this before. There is, the global environment which we live and it's just not an issue that we can be (??). We live in it whether we like it or not. So we compete with every jurisdiction not only in North America but around the world for people to invest their money and when they invest their money, it's a private sector that creates the jobs.

So I think that's a very good way, a great way to actually not only be competitive, but allow tax revenue to come in. We have found that through our taxation structure and I spoke earlier on this and I'll maybe just quickly touch on it, we are trying to be competitive when it comes to personal income taxes whether you're a low income of which you pay none in British Columbia - if you are an \$18,800 a year less. You pay the lowest personal income tax in all of Canada on your first \$119,000 of earned income. High income earners do pay a great deal of income tax and the reality is, I'm thankful that we have some high income earners in this province for a number of reasons. Certainly, first and foremost, I think it's because of the quality of life we get to enjoy here, but also because of our competitive tax structure for personal income tax people earning, you know, whether it'd be 150, 200, 300,000 and I know there's a lot of people that earn far more than that pay a great deal towards our economic well being in the sense of helping us deliver health care, education and so on. So it's a balance. You try and find that balance on personal income tax, on small business, on corporate taxes. The HST is a tax that is being utilized around the world today. There hasn't been anybody implement a sales tax like our PST. I think for about 30 years now and I think it was the Barbados was the last one that went to it and one year after they implemented that, they actually got rid of it. It's just not the format of taxation that works the best in the world in which we live today. Thanks for the question, [caller]

**Moderator:** We are on the line with Blair Lekstrom, the Minister of Transportation for British Columbia taking your call. Going now to [caller] who wonders about increasing taxes as opposed to cutting spending. Go ahead, [caller].

**Hon. Blair Lekstrom:** Hi, [caller].

**Caller:** Hello? Hi

**Hon. Blair Lekstrom:** How are you?

**Caller:** Good. How are you?

**Hon. Blair Lekstrom:** Good. Thanks.

**Caller:** I do think this is a good way of communicating with British Columbians. The first time I've been involved with this.

I think it was [caller] who was asking earlier - he mentioned the prices, the cost of living in BC has gone up dramatically in the last, in the last two years even. And I have a budget at my job that I do and if I have to spend more than what I'm bringing in, I have to manage my spending better, I don't just take more away from the source.

Now, I'm wondering what you have or what the government has planned to control the spending instead of just taking more from British Columbian? Because I am, I think we have less services now than what we had before and with regards to education especially.

**Hon. Blair Lekstrom:** All right. Well, that's a great question and you know, when you talk about controlling spending, I couldn't agree more.

The challenge is, I can tell you as an elected official and I can probably speak for every level of government, it's very rare we get a call like what you've just put through to us to say, you know, control your spending. The vast majority of people I've dealt with through my office as an MLA have said, 'Blair, you know what? I want you to spend more on X or Y.' That could be education, it could be health care, it could be social programs.

The challenge we have as governments, we've made some pretty difficult decisions in our 10 years of government. I think we have made our province stronger. I think we are more competitive and we are continually looking at controlling spending. The biggest challenge, you touched on education, though we've increased the K to 12 education funding since 2001 I think by the tune of about \$1.7 billion. I'm going off the top of my head. It's well over a billion dollars on that. At the same time, we have tens of thousands, fewer students in our school. So, you know, it is a tough balance. If you've got ideas, [caller] and this what I always encourage people to do, you know, throw them forward.

It's a difficult position and I'm not going to sidestep a question that says, 'how do you control your spending?' When at the same time, you know, we spent \$41.9 billion to run the province of British Columbia and 42% of that goes to health care, 27% goes to education, 8% goes to social services, 6% goes to our debt. That leaves only 17% left of the \$41.9 billion to deliver any other service that we want for ourselves and our families.

So difficult question. If you've got ideas, [caller] I'll encourage you to go on to [www.hstinbc.ca](http://www.hstinbc.ca) and there's an opportunity there to put forward. There's a survey as well you can comment on. But throw your ideas down there. That's what we're looking for through this kind of discussion tonight and I agree, as I said earlier. This is a great way to communicate with British Columbians and engage on some pretty important issues for all of us. Thanks, [caller].

**Moderator:** We have about another 7 minutes or so on the call this evening and time for a few more calls on the line. [caller] is asking about how the HST will make British Columbia more competitive. Go ahead, [caller].

**Caller:** Yes, minister. I understand that value added taxes are much more competitive than raising income tax and I was wondering how much will this harmonizing the tax make BC more competitive? Because if we're more competitive, then we can afford more programs.

**Hon. Blair Lekstrom:** All right

**Caller:** Minister?

**Hon. Blair Lekstrom:** Great question, [caller].

I think probably the straight up answer to that is the HST will put BC on a level playing field with our domestic and international competitors. I spoke about that earlier this evening I think on a number of my answers that we compete globally now for investment to come to our province and I say this many times that government is in a position where we don't create jobs but we create the environment for that private sector to invest their money. That's who creates the jobs for you and I and our families. If we're not competitive, that money will go elsewhere which is a huge challenge.

Right now, there's over 140 countries and five other provinces that have this value added tax like the HST. I think it goes a long way to helping our businesses be competitive. It helps, you know, if they save money or are able to put some more money in their pocket, you know, traditionally what it shows us is they hire more staff. They put more people on the floor of their business. In turn, it means job opportunities for you and I and our families.

You know, I live in Dawson Creek, I come from the north and my goal is to ensure - not just from where I live but for anybody in this province - if you're working in an area and for instance you have a family growing up there and your children are there, if they want to stay and work there, I'm going to do everything I can to ensure that you got an area where the private sectors invested, creating jobs for your family to stay where they grow up. Doesn't mean that lots of our children won't move away and go elsewhere, but if they want to stay where they've grown up, we got to have jobs for them to stay there and in order to do that, we got to be competitive. So thanks, [caller].

**Moderator:** A couple more questions now. [caller] wonders on the line if it is fair to charge 12% HST for the purchase of new homes. Go ahead, [caller].

**Caller:** Yes, my question is with young people who are starting out buying new home. 12% is almost an (??) I think to say for the down payment and then they have this 12% to pay on top of that for the HST especially apartments and new land and all that. I just want, if you've been able...

**Hon. Blair Lekstrom:** All right. Sorry, [caller] I jumped in there.

**Caller:** I just wondered if there's any - and it could be anything like a rebate or something – to, especially, [help] first time home buyers with the HST?

**Hon. Blair Lekstrom:** You know what? You could probably work in the Ministry of Finance because that is exactly what we do here in British Columbia. We have a rebate for home purchases. The HST only applies to new residential housing as well. So if you purchase a home up to \$525,000, you will get a rebate that you recover your HST cost; which is good. Most of the homes, about 75% of all homes sold in BC are resale, the HST doesn't apply to those which is very positive.

So home sale, it is difficult I think for new home purchases if you're going over \$525,000 although that sounds like a great deal of money, in the lower mainland and on the island it obviously can exceed that. But new home purchases valued at \$525,000 or less, you will be made whole through a rebate.

**Moderator:** Okay and I think we have time definitely for one more question. [caller] is on the line and wonders about exemptions of products in British Columbia, exempt from the HST. Go ahead.

**Caller:** Hi. Thanks for taking my call. The problems in Ontario when they implemented HST, they have an exempt point of sale rebate. A point of sale rebate as they call it. Has this been considered at all? Because this covers like children's clothing and footwear and a variety of other products.

**Hon. Blair Lekstrom:** All right, it's a great question.

We actually have that as well. There is a requirement by the federal government that you can have no more than 5% exemption in what you collect. A big part of ours, [caller] has been eating up in motor fuels - we actually exempted gasoline and diesel and so on, Ontario didn't do that. We're the only Province, I believe, that has an HST that has exempted that. So that has eaten up a great deal. Children size, clothing is exempt. Books are exempt. There's a number of other things [caller] if you have the opportunity to go online and again I'll point this website - [www.hstinbc.ca](http://www.hstinbc.ca) - it's a great website, full of information, but we have exempt point of sale rebate as well. So thanks for that question

**Moderator:** And Minister, we've actually come to the end of our call at this time and before I turn it over to you for some closing remarks, I do wish that the callers will stay on the line because if you didn't get a chance to comment or ask your question, you still have an opportunity to do so. If you stay on the line when this call is finished, you will hear a prompt and then you will be able to leave a message.

So I do thank everyone for participating this evening. It has been a very fruitful call, I think, and Minister I give you the last word.

**Hon. Blair Lekstrom:** Well, thank you very much, Allison and thanks for your work here this evening as well.

To everybody who has been on this call, I want to say thank you. I have heard numerous people talk about their thoughts of how this call has worked and I think I share that view without question. It is a great way to engage the people of British Columbia. As I said earlier, in this discussion when it began at



about 7:30, I can see this method of engagement continuing not just in British Columbia, but I know other governments are going to watch closely.

As we go through this, I encourage people to make sure that if you have the opportunity to go to the website and have a look at it. You can also participate in survey that's on there and comment on it as well. There's a great deal of information.

You're going to be receiving packages at every home in British Columbia that will outline both the pros and the cons for the HST. I encourage you to engage in discussion with your family and your friends. If we can make the decision in British Columbia based on factual information whichever side that comes from and however you digest that, that's going to be very important. This was an emotional issue. How this was rolled out, I think caught British Columbians by surprise without question. Government has learned from this without question not only our government, but I can tell you governments from across the country have watched what has transpired here in British Columbia.

I'm proud to be part of a government that has recognized and admitted that the way we rolled this out originally was not acceptable and now, to be able to go out and engage British Columbia, they earn the right to have their say in this. This is not a position the government has given as a government, the people of British Columbia earned their right to have a say. What I'm going to do is my utmost best to ensure that all of us, we have an opinion, that I do my best to make sure we have an informed opinion.

And with that, Allison, I'm going to say goodnight to all. Thank you so much again for participating and I look forward to your participation in the referendum that's upcoming. Take care and have a good night, everybody.

## MID & NORTH ISLAND, SOUTH COAST TELEPHONE TOWN HALL SUMMARY

Date: May 10, 2011

Host: Minister of Transportation Infrastructure, the Honourable Blair Lekstrom

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
162,657	39,109	24,624	19	63%	467	24

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this was the eighth of eleven regional town halls conducted by Government with British Columbians.

Minister Lekstrom responded to 24 questions and/or comments during this call. Issues that arose from citizens of Mid and North Vancouver Island included the following:

- Exemptions or mitigations for specific products or industries: First time home buyers, consumers who eat at restaurants, small businesses in tourism, food services, energy efficient vehicles, supplements, pay down the debt
- Raised issues with the economics of implementing the HST, how the HST will make the Province more competitive and the merits of a consumption tax versus income taxes.
- Rate reduction and taxation fatigue caused by all levels of government.
- Callers were concerned about the administration costs, the cost to the Government in the event of a return to the old PST + GST system and how government will meet the revenue gap.
- Impacts on seniors, lower income British Columbians, middle class and small businesses were all raised.
- Inquiry about whether a rebate of HST paid will be provided if British Columbians' chose the PST + GST system.

A few callers voiced their displeasure at how the tax was introduced and government spending taxpayer dollars to defend the HST. Many people also thanked the Minister for using this type of technology to communicate

Confusion remains about the application of the tax on specific products (prescription drugs) and one caller asked whether the Province can have point of sale rebates like Ontario has implemented.

## RICHMOND, S. DELTA & NORTH SHORE TELEPHONE TOWN HALL SUMMARY

Date: May 12, 2011

Host: Minister of Transportation Infrastructure, the Honourable Blair Lekstrom

### Call Metrics

Households Dialed	Live Answer	Total Attendees	Average Time on Call	Participation Rate	Questions Queued	Questions Live
147,754	45,713	28,845	12	63%	230	23

### Synopsis

Telephone Town Halls on the HST began April 27, 2011; this call was the ninth of eleven regional town halls conducted by Government with British Columbians.

Minister Lekstrom responded to 23 questions and/or comments during this call. Issues raised by citizens of Richmond, the North Shore and South Delta included the following:

- Concern for how revenue from HST will be replaced if province returns to GST/PST; whether government will apply or increase PST on items to make up revenue;
- Reduction of HST by 1 per cent; specific exemptions/reductions on HST for 'hardship' cases;
- Impact of HST on retired people, pensioners, young/middle-income families; request for personal income tax breaks to offset new consumer burden;
- Exemptions requested for Registered Massage Therapy; children's school books, toys, child development/extracurricular activities, summer camp and clothing; land (new home construction), repairs to leaky condos; restaurant meals; BC Ferries;
- Confusion about how the HST is applied; request for clear presentation of facts about HST and GST/PST; evidence wanted for how HST is an efficient tax.

**May 12, 2011 Transcript: Richmond, North Shore and South Delta Telephone Town Hall**

**Moderator:** Hello and thank you for participating in tonight's HST town hall with BC Minister of Transportation and Infrastructure, the Honourable Blair Lekstrom. My name is Lisa and I'll be the moderator for the town hall this evening.

Before we begin, I'd like to give everyone some information on how this town hall will proceed. The Minister will have some short introductory comments then we will proceed with the live question and answer period. Now about privacy, this call is being recorded and will be transcribed. If you do not want your ideas, comments or opinions to be part of the transcript of this call, I suggest you remain in listen mode.

In order to include as many questions and comments as possible on this call, please keep your question short and to the point. If you wish to ask a question, please press the star key on your keypad and then the number 3. An operator will come on the line to ask you a few questions. Please use only your first name when speaking to the operator. We want to hear a wide variety of questions from the audience. The operator will make sure we reduce duplications.

After you've spoken with the operator, you'll be queued up to ask your question. When you hear me say your name, your line will be open and you can ask the Minister your question. After you've asked your question, your line will be muted so the Minister can respond and you'll be placed back into listening mode. Please note there will only be questions and answers during this town hall. We will not have time for supplemental questions. I also ask that you use polite and respective language; anyone using vulgar or inappropriate language will be cut off. Later in the call, you'll be able to provide your feedback on the HST directly to government by answering a couple of multiple choice questions. This not a scientific poll for feedback, rather this is an opportunity to engage you on some of the important questions about the HST in BC.

Thank you for your patience everyone. We will do our best but we may not get to everyone who has a question or comment for the Minister tonight. However, if you stay on the line till the end of the town hall, you will have a chance to leave your comments in a recorded message. Again, if you want to ask a question, please press the star on your keypad and then the number 3. I would now like to turn the call over to Minister Lekstrom for his opening remarks.

**Hon. Blair Lekstrom:** Well, thank you very much Lisa and good evening everyone. I would like to start by thanking you for taking time out of your busy day to come and participate in the discussion with myself, on behalf of the government of British Columbia, and to hear your views about the HST. What we're looking for is feedback from British Columbians. You've earned the right to have a say and to vote on this, whether you decide to keep the HST or not. Or if you have ideas on how we could improve it as we build up to this vote; what are the issues that the

government could be looking at that would help you and your family? That is really the intent of this evening.

There is no question that the HST has been a very interesting topic. I think, to put it in my terms, there have been a great number of views expressed about this. One of the things we are involved in now is to make sure that the information is put out there. Government is spending dollars on both the pro side and the cons side of this, funding organizations that are going to go out there and speak about the HST. There are organizations that are going to speak on both positions on the HST based on what they see the impacts are on families and non-businesses.

Tonight is about listening. There are some key dates I want to put forward though before we get into the questions and answers. During the week of June 13th, all of the ballots will be mailed out to every home in British Columbia. We expect that those ballots should be received by the 24th of June; most of you should have those during that week. Once you have those ballots, they do have to be returned and received by Elections BC no later than July 22nd, so that means they have to be mailed sooner than that. That's by law and Elections BC are running this.

I think this is the 4th telephone town hall I've had the opportunity to participate in. I'm extremely pleased with not only the model, but the feedback from the people. It doesn't mean everybody is agreeing with it, but we are hearing a number of ideas on what people think could make this tax better. If the people determine that they want to keep it - and when I speak about that, I do want to point out very clearly that the people of British Columbia have earned their right to have a say on this tax - they went through a very, what I would consider a historic recall and initiative campaign. They earned the right to have a say in this.

There is no question, and government has not side-stepped this, that it was rolled out in a terrible manner, it was. I don't believe there was any malicious intent. People were caught up in the global economic meltdown that was happening. British Columbia was not exempt from that and a decision was made. And it became clear, very quickly, that for that decision, we forgot one key ingredient and that was the communication with the public that we represent.

I have said this quite often: I wish we could have been doing what we're doing tonight 18 months ago. It's not often that in my study of government that I have watched government say, we made a mistake. And our government has said we made a mistake in how this was rolled out. Correcting that mistake...part of it is what we're doing here this evening with the full public's engagement.

So, I'm not going to carry on much longer. I am going to welcome a number of other colleagues on the call this evening joining us; Minister Yamamoto, MLA Jane Thornthwaite, MLA Joan

McIntyre, MLA Ralph Sultan, MLA Rob Howard and MLA John Yap. I know they're going to be listening intently as well to what we hear this evening.

With that, I will close off my comments and again, thank you for taking the time everybody. I know you all have a very busy schedule and I'm looking forward to this call. I will do my best to answer the questions you raise with me here this evening.

**Moderator:** Great, thank you Minister Lekstrom. Again, I'd like to remind everyone, if you want to ask a question, you can press star on your keypad and then the number 3. So, our first question is from North Vancouver from [Caller]. She wants to know if we did get rid the HST, where would the money come from. Go ahead please.

**Hon. Blair Lekstrom:** Hi, [Caller].

[Caller]: Hi.

**Hon. Blair Lekstrom:** How are you tonight?

[Caller]: I'm sorry, thank you. I'm for the HST just simply because of the tax dollars to generate going into all the services that we really need. If we get rid of the HST and go back to the old system, what is going to replace that money? I mean, we need it for medicine; we need it for education and everything else. Where will it come from?

**Hon. Blair Lekstrom:** All right. Thanks [Caller] for that question, that's a great question. I mean, the reality is that if British Columbians determine that they want to keep the HST, things will proceed as they are today with some fine tuning, I believe, to the tax; after listening to British Columbians, and there are a lot of good ideas. If the people of British Columbia determine they want to go back to the GST and PST system, there is a cost to you and I and we referred to it.

Most people say, what's the cost to government? You know, first of all, there's the \$1.6 billion in the transfer funds that the federal government gave to the province to go to the HST that would have to be repaid. I'm sure there will be some discussions on that, but I think first and foremost, if you take money, I think you have an obligation probably to pay that back. There's an impact clearly on businesses, then you and I. The money would come, in its simplest form, [Caller], from you and me as British Columbians. You know, that's why the most important thing we can do as we lead up to this vote is, as I mentioned in my opening comments, everybody has an opinion. As long as everybody has an informed opinion and we base our vote on that. But there is a cost and it is in the billions of dollars over the years ahead of what this could cost us.

So, that would mean that it would be an issue as far as programs. Do we have to look at that? Do we have to look at other areas? I'm not sure. That's a discussion government will have to have with the people of British Columbia. But I've served as an MLA now for 10 years. It is very

rare... I get people coming in to my office saying, Blair, I want you to cut programs, and I want you to cut services. The reality is most people are looking for increases, whether it'd be in health care or education or social programs and all of that takes money. Today we're spending more money in British Columbia than we bring in. We made a commitment as a government that we have to get back to a balanced budget. So, where will the money come from? It will come from you and I, [Caller]. Thanks for that question.

**Moderator:** Thank you. Our next question is from [Caller] in West Vancouver and she has a question about the HST versus the GST. Go ahead [Caller]

**Hon. Blair Lekstrom:** Hi, [Caller]. Hello, [Caller]

**Moderator:** Okay. We'll go on to the next call. We have [Caller] from Britannia Beach. And [Caller] would still like to consider reducing HST by a percentage. Go ahead [Caller].

**[Caller]:** Good afternoon, Minister. It's [Caller] from Furry Creek, but never mind. Given the introduction of the HST was very badly handled and also given the feather-brained minds that perceived it to be the way forward in taxation at this time, is there any possibility that you could sweeten it for the public by a percentage reduction, perhaps 1%? Thank you.

**Hon. Blair Lekstrom:** Well, thanks [Caller] for that. I know our Minister of Finance; the Honourable Kevin Falcon has talked about that. There is I guess the possibility. The one thing we have to look at though is there is a contract signed with the Federal Government, that something like that couldn't happen immediately if it was possible.

One of the key issues when we talk about our ability to reduce it, I think most British Columbians first and foremost would agree, that we want to get to a balanced budget situation. For every 1% that we would reduce the HST, or our portion of it, it's a little over \$800 million that is the cost to you and I as British Columbians. So, it has been discussed. I know that a number of people certainly like you, [Caller] have put that forward as an idea. I know the Minister of Finance has heard it and actually expressed that very thought himself. So, is it a possibility? Yes, it is. It's just not something that tonight I could sit here and say for sure we're going to do.

There are number of things that would have to come in to play. First and foremost, I would believe is getting the budget in British Columbia balanced. The question has a reason lately; look at all the new money that's coming in as a result of this when you look on through the last year. Certainly, it is raising additional revenue in the province of British Columbia. All of the revenue that we raise goes to the services you and I enjoy... and our families. So, it is a possibility, [Caller]. It would be something that would have to be discussed again I think in the context of financial. Can we afford it and be back to a balanced budget situation? But thanks for



the question and [Caller], I do know where Furry Creek is and you've got a great golf course out there. Not that I'm a good golfer, [Caller].

**Moderator:** Thanks, Minister. Our next question is from [Caller] in Richmond and he wants to know if we could continue with the same exemptions as before with the HST. Go ahead.

**[Caller]:** Yes, hello.

**Hon. Blair Lekstrom:** Hi, how are you?

**[Caller]:** Hi, I'm fine, thanks. I've been listening to this back and forth for so long now. It's literally nonsense. What I have never heard the Ministers or the Liberal Party say, or anybody come up with for that matter is: why can't you continue on with the HST because it's already in effect. We're already getting money from the Federal Government [unknown] and if it used to be tax exempt, reduce the amount of HST for those people for who it's now a hardship and it becomes less of a hardship.

**Hon. Blair Lekstrom:** All right. Well, what you've just put forward is exactly why we're doing what we're doing this evening and the other calls are to hear ideas like that. You're not the first person that raised that. It is valuable I think to understand what we can do. People I think for the most part are more and more beginning to understand the tax, how it works. It doesn't mean they support it or don't, but I think information is extremely important.

We are limited on what we can exempt under the HST by the Federal Government to 5% of the tax collected itself. But we do have other options as a province, whether it'd be through a rebate system from a provincial side. So, you've raised an issue...whether it would be children's adult-sized clothing, whether it would be other ideas that I've heard on the calls I've had - that is exactly, and I will say this again and I'll say thank you - why we're hosting these calls; as well as the website that we have which is [www.hstinbc.ca](http://www.hstinbc.ca).

If you don't get the opportunity to relay your ideas through this call this evening, go to that website. There is a survey there that you can participate in, in the comment section. What we're looking for are the ideas, just like what you put forward tonight. We are going to entertain ways that - if this tax is kept - how do we improve it? And everyday in government, whether it's in British Columbia or anywhere, they better think they can try and improve something from the day before or there would be no need for us to be here. Thanks.

**Moderator:** All right. Thanks, Minister. Our next call is from [Caller] in North Vancouver and [Caller] has a question about individuals seeing any savings from the HST. Go ahead please.

**[Caller]:** Hi

**Hon. Blair Lekstrom:** Hi, [Caller]

**[Caller]:** [Caller], here. The general feeling about the HST is that businesses benefits and eventually that might trickle down to individuals, but that individuals are paying more and there are many specific examples such as your restaurant bills, etc. It is individuals that are going to be voting on HST. Are there any specific examples where individuals pay less under the HST and if so, what are they? I'm sure myself and other individuals would like to know what they are.

**Hon. Blair Lekstrom:** All right, great question, [Caller]. There are about 1.1 million British Columbians, low-income British Columbians that will see a benefit from this directly. Based on their income, there is a sliding scale, but a single individual for example earning \$22,000 - I believe it is - will receive the benefit of \$230. So, they actually see that.

It depends, the middle income people, there was just a report out [Caller] that shows that the average family, and that's the average taking from the low to the high, would see an increase of about \$350 in their annual expenditures. I think the real benefit, [Caller], and I say this quite often, is in our ability at the province to remain competitive. And when I say that, the private.... Governments don't create jobs. We create an atmosphere where the private sector will invest their money; they really are who is creating the vast majority of jobs for ourselves and our children and future generations. So, our goal is to try and maintain the quality of life we have and remain competitive so we can attract that capital into our province.

There is the discussion that I've had with people, friends of mine, whether it'd be back in Dawson Creek or down here, saying you know; this is only good for business or big business even. You know, the reality is I think that if they're doing well and able to invest their dollars, that's what allows us to enjoy the quality of life. We need jobs, without question. Every day people get up and they go to work in order to provide for themselves and their families and if we don't have a competitive tax jurisdiction, those jobs are not going to be as readily available, and in a nutshell, that's the benefit that I think most of us will see. Thanks for the question, [Caller].

**Moderator:** Thanks [Caller]. Our next question is from [Caller]. She's from Delta and she has a question about MLA's in HST. Go ahead please.

**Hon. Blair Lekstrom:** Hi, [Caller]

**[Caller]:** Hello, Hi. I just wanted to ask you when the GST first came out, it was awhile back.... I have heard on the radio that the MLA's were exempt. I would just like to know if the MLA's are exempt from the HST.

**Hon. Blair Lekstrom:** All right. Well, thanks for the question [Caller]. No, MLA's are not exempt from the GST, and I can tell you that MLA's are not exempt from the HST. You know, we serve the people of British Columbia - as an MLA, whether you are a private member or a Minister or whether you're in opposition - I don't believe that people do it for any other reason than that they want to provide a public service and they have ideas on how to make our province a better place for the people who live here.

First and foremost, and I think I can speak for MLA's on both sides of the house in British Columbia.... First, this is the job we do in trying to make life better for everybody. But we have no further benefits than any other British Columbians. But it was a good question; if there is a misunderstanding out there, I'm very glad that I've had the opportunity to clear that up. So, thanks for the question, [Caller].

**Moderator:** Thank you. And again, if you want to ask a question, please press the star on your keypad and then the number 3. Our next question is from [Caller]. [Caller] is from West Vancouver and he has a question about how the rebates are calculated. Go ahead, [Caller].

**Hon. Blair Lekstrom:** Hi, [Caller].

**[Caller]:** Yes, I do. Hello. First off, I'd like to add that in every discussion on the HST, in every sense of the word, you know, it's been said that there were never - the government was never considering the HST before the election. Yet I have paperwork from my MLA, Ralph Sultan, from August 16<sup>th</sup>, saying - it's a quotation - of course, it was being considered. So, I still hear Mr. Falcon on the talk radio saying that, believe me, we weren't considering it. So, I just don't know what to believe from one day to the next from our MLA listening.

So anyway... my kids are suffering quite heavily from the HST. They're not getting any better rebate cheque because my understanding is, to get rebate cheque, it's calculated on last year's income tax. And with HST etc, there is [unknown] and construction is going down, their work load has gone down considerably. So, they're suffering this year so they have to wait 'till next year before they get a bigger rebate on tax. So, is that how it is calculated, on last year's income tax? So, what benefit is it to them this year?

**Hon. Blair Lekstrom:** That's a good question, [Caller]. It is calculated on last year's income tax return. That is how we have to figure out. So, I don't know the business - you said construction - that your family is in or your children.... Obviously, I think everybody went through a bit of a down turn. I don't think that we would point the finger at the HST and say that was a down turn factor. I do think the global economic situation was a big part of what we face. But we've been pretty fortunate and somewhat sheltered although we face challenges in British Columbia. I think we've probably positioned ourselves as well as any jurisdiction in the world as we come out of the other side of that.

I do want to comment on the issue about was it on our agenda or was it not. You know, [Caller], I made a difficult decision last June when I left government. But I sat at the Cabinet table when this decision was made, I was part of the decision, and I can tell you it wasn't on our agenda before. I was first elected in 2001 to the Legislative Assembly as the MLA for Peace River South; I had the honour the following year to become the Chair of the Finance Committee in British Columbia. I toured the province with colleagues from both sides of the house. We did hear a great deal about the HST. So, when people ask, was I aware of the HST, certainly I was.

Businesses brought it to us; many different people in the province raised the issue over the last number of years; but as far as government - I sat in caucus, I sat at the cabinet table - it was not on our agenda. Do I accept the fact that people question that as quickly as it changed post election? Yeah, I can accept that, but I would hope that they can accept what I'm saying as well and the fact... I have no reason to sit on this phone or look somebody in the eye and say anything different. If it was on our agenda, I know myself or any of the others would've said that.

I don't know what Ralph said, or in what context Ralph mentioned that. I have a great deal respect for Ralph. I'll tell you, there are very few people I think in this world that you can learn as much from as Ralph Sultan. So, it's always encouraging talking to him. So, hopefully your family and as we move forward - if they're in the construction industry, I don't know if they own their own construction outfit - whether they're looking at the input tax credits on their business side that they can claim back and so on, but I think we've got a great opportunity. I do think it's good tax policy, but at the end of the day, it is going to be up to British Columbians to make that determination, whether they want to keep it or not. Thanks for the question, [Caller].

**Moderator:** Thank you. Our next call is from [Caller]. [Caller] is from West Vancouver and he's got a question about comparing the HST to the PST or GST System. Go ahead please.

**[Caller]:** Thank you. I just want to say that I'm a retired person and in all of the time that this discussion has been going on about the two taxes, I have never seen a clear presentation of the pros and cons of both. And I don't know why. Even tonight, all we're hearing to a large extent is the value of the HST. Why can't we present, in its simplest forms, the comparison between GST/ PST and HST? What are the changes being made? We continue to talk about an informed decision, I can't make one based on the information I have today.

**Hon. Blair Lekstrom:** All right, [Caller] and thanks. So, a couple of things: tonight's phone call is not for me as a member of government to try and sell the HST; I can tell you where I stand on it and I support it. Tonight is about hearing from you. But you've asked a great question and that will give me the opportunity.

80% of our consumer spending doesn't change. That's 80%. So, there are people out there to think of, everything they do in their day to day spending is affected by this. And I want to reiterate that point, 80% of our spending is not impacted by this, there is no chance, and for 20% there is. So, the information... there are a number of things.... We have put forward revenue for both the pro side of this - who will be out there talking about the benefits of the HST - and we put \$250,000 for the con side - people who are opposed to it. We'll also relay that information.

We do have a website, [Caller] and hopefully you're able to access it. It's [www.hstinbc.ca](http://www.hstinbc.ca). It's an incredible website; it's full of great information that will really, hopefully, answer many other questions you have. We will also be doing a mail-out to every household in British Columbia prior to the vote taking place. In that mail out, you will have both the pro and con sides represented. But the information will be there so that you can gather that.

I think we heard loud and clear just what you said: we need information because when there's a vacuum or a lack of information out there, I think human nature is to sometimes not believe the most optimistic of what we hear.

So, [Caller], hopefully I gave you an idea of where you can go to get the information. If you have a computer, get online. If not, there will be a full mail out coming to your door - an information package - and I encourage you... if you do have further questions, contact your MLA's office as well; I know they'll do the best they can to answer your questions. And if they have or you have specific questions they can't answer, I know they'll go to work to get you the answer as well. So, thanks [Caller].

**Moderator:** All right, thank you. Our next question is from [Caller] from North Vancouver and she has a question about why RMT's pay HST but chiropractors don't. Go ahead please.

**[Caller]:** Hello

**Hon. Blair Lekstrom:** Hello. How are you, [Caller]?

**[Caller]:** Do you hear me?

**Hon. Blair Lekstrom:** Yes, I can.

**[Caller]:** My question is: why do professional RMT's have HST when professional registered chiropractors don't?

**Hon. Blair Lekstrom:** You know what; that was set by the CRA, or the Canada Revenue Agency. But what we're doing tonight, and from what I just heard you say, I would believe that you think

that they should be treated fairly; if one doesn't pay the HST or have to charge, the other shouldn't.

I am going to take your suggestion as part of what we're doing here, through the listening exercise tonight, and I will put that forward into the mix of ideas that we are looking to entertain on how we could improve this tax. I know the Minister of Finance is following all of our telephone town halls - I believe they wrap up this evening – is going to take all of the information and ideas that we've heard, not only from the callers, but the information they've left as well and take that into consideration. So, that's the exact kind of thing we're doing this for tonight, [Caller] and I want to thank you for not only asking the question, but asking it in a context of [unknown] what you're saying would improve this tax if we could get to that point. Thanks.

**Moderator:** All right. Thank you. Again, if you want to ask a question, you press star on your keypad and then the number 3. Minister, your next question is from [Caller] from West Vancouver and he has a question about the impact on seniors and young families. Go ahead please.

**[Caller]:** Yes, hello Minister.

**Hon. Blair Lekstrom:** Hi, [Caller].

**[Caller]:** And thank you for the forum. My question is that the position of the HST versus the GST - it seems to be all encompassing. There is absolutely no leeway where, at least on the GST, there were certain things that were exempt and that gave you kind of a breathing space. As with all ex-pensioners with a wife who is also on old age pension, we do not qualify for any rebates at all, so that limits income to a family with shared tax there is no apparent advantage to this tax. I'm in favour of the tax because we need it, but there is no psychological break for young families with school books and rain clothing and boots and so on. There is no break there and I wish there was and for old age pensioners who wish to buy something pleasant in the grocery store such as a sweet bun. There's still a GST on those things which take a little bit of the edge of enjoyment of life away. Comment, sir?

**Hon. Blair Lekstrom:** All right. Well, thanks [caller] and thanks for your comment. There are a couple of things: first, everything that was GST exempt before is HST exempt today. I think there is some confusion where the PST is applied to things that it wasn't applied to before. It's applied to 20% of additional items; 80% of our consumer spending doesn't change whatsoever. So, there is an impact on us, [Caller], without question. Most of our groceries remain the same. Anything that was GST applicable in the grocery store before is now HST applicable so that's a very important fact. But you and I will spend a little more and... What the benefit to you and I is... that's an interesting question; I get asked that quite often. The benefit is ensuring that we

have a competitive environment in which people will invest their dollars. I still get people saying, well you know, that still sounds like this is only for big business, but it's not. It is businesses that create the jobs, although you're retired or you probably have family that are... whether they have a job or if they needed one.

The only way to ensure that we have that economic stability and the bright future that we need in British Columbia is to be competitive with our taxation regime. Whether we like it or not - and some people don't like some of the things we compete for in a global world today - the money is mobile; it can be located virtually anywhere in the world. I don't think you'll find a better quality of life anywhere in the world than what we have here in British Columbia. We have to ensure that in order to maintain that quality of life, our competitive taxation regime has to be up there with the best in the world. Hopefully I've done your question justice, [Caller]. But it is really about being competitive about making sure we have jobs for ourselves, our children and future generations. I think this tax allows us to do that.

**Moderator:** Thank you, Minister. For those of you joining the call now, welcome to tonight's town hall. If you want to ask a question, please press star in your keypad and then 3. We will have the first of our two feedback questions to get your feedback on the HST. I'll be asking for your preferred answer by pressing a number on your keypad. Please listen carefully to the options. I will read the question and the answers twice.

So, here's the first question. The HST collects more revenue for the province than the PST plus GST systems. If you could only pick one way to use this additional money, which of these would you choose? You have three options: First one is, increase spending on programs like health care and education, press 2. Reduce the tax burden on all British Columbians, press 3. Or provide additional support for families with children, press 4.

Again, our question is, the HST collects more revenue for the province than the PST plus GST systems. If you could only pick one way to use this additional money which of these would you choose? There are three options: Increase spending on programs like health care and education, press 2. Reduce the tax burden on all British Columbians, press 3. Or provide additional support for families with children, press 4. Thank you for participating.

Now, let's go back to our questions. Our next question is from [Caller]. She's from Bowen Island and she's concerned about the taxes on new home construction. Go ahead, [Caller].

**[Caller]:** Yes, my concern is about the effect the HST is having on new home construction. This additional 7%, it's now being added to land. This has a particularly negative impact for young families being able to enter the housing market even with the rebate. And healthy construction industries needed for growth and if new houses are not being built, it impacts a great many



people, including all the sub trades involved in house construction. I was just wondering if there's any consideration in taking it off the land and leaving the GST, but not the HST.

**Hon. Blair Lekstrom:** All right. Well, thanks for that [Caller]. You know, this is the 4th town hall we've had; you have raised this point for the first time with me and I think it's a very important point. It is not something that just crossed my desk or been brought forward. But I think you raised a very valuable point and I can assure you that I will give it to the Minister of Finance as he goes through the different ideas that we're hearing.

The one thing with housing [caller] and I know you're not talking about just going out and buying a new home, you're breaking it down where you will purchase the land first and that's really what you're reflecting. But about 75% of all home sales in British Columbia - I'm just going to take this opportunity now that we've raised homes or resale homes - the HST is not applicable; about 80% of new homes that are sold in British Columbia are below the threshold. It does not mean that there is not an impact, particularly when you look at some of the higher priced regions - certainly for the Lower Mainland. I'm from Dawson Creek; for house prices there, it's quite different. The other one though, I will point out for you [Caller], is owners who build new homes also get the rebate. So, I'm not sure if that would be the case that you were referring to, but the idea of looking at lands and looking at that exemption is something - I can't guarantee where it will land - but I can tell you I will put it forward in the mix of what we've heard here this evening for consideration by the Minister of Finance. So, thank you for that.

**Moderator:** Great. Thank you. Our next question is from [Caller]. [Caller] is from North Vancouver and she's got a question about what's the benefit it affects for implementing HST? Go ahead, [Caller].

**[Caller]:** Hi. Yeah, I want to get to the origins of the HST. If it's just from the Federal Government and [unknown] I wonder why they brought it in. To give \$1.6 billion to British Columbia means that they expect to get a return on that money and then quite a bit more. So, why did they do this?

**Hon. Blair Lekstrom:** All right.

**[Caller]:** What's the benefit to the Federal Government?

**Hon. Blair Lekstrom:** [Caller], that's a good question and I think the biggest benefit - it's an economic benefit to our country - that if the country does well economically, it allows the Federal Government - no different than a provincial or a municipal government if they have a healthy economic bottom line - they can invest in the services you and I enjoy. The main difference between a private corporation and a government is a return of the private corporation to their shareholders and dollars in spent. The return of government is in services.

So, there is no money that's put elsewhere with all those back in the services. It is interesting to know that both, I believe, the Federal conservative, as well as the Federal Liberal Party, are supportive of the HST. I think Mr. Layton was supportive in Eastern Canada; I think one of his comments was because it was not on home heating fuel. I have to believe he's supportive of it now in British Columbia because we actually give a rebate on home heating. So, it was interesting to hear his comment.

The benefit is, as a tax, the HST is a better tax policy without question to my mind, but again it's up to you. The economic benefits to the country are the key reason why the Federal Government would support such a tax; it helps grow the economy. When bad times happen, there are more tax dollars [unknown] government and more tax dollars are returned. Not only can you get back to a balanced budget position - of which we're not there, either provincially or federally yet - but it helps fund the services that you and I enjoy. Thanks for the question.

**Moderator:** Thanks, Minister. And thank you to everybody who just called in. Minister, we've got few more people on the line than when we started this. So, could you give us a brief recap on what we're doing here tonight?

**Hon. Blair Lekstrom:** All right. Well, thanks Lisa and welcome to all of the callers that are new to the telephone town hall this evening, as well as those that are still on the line.

Tonight what we're doing is engaging with you, British Columbians to hear from you your ideas about the HST. If you have ideas, if the HST was to remain in place after the vote of British Columbians coming up, how would you improve it? What ideas do you have? What is working in your mind, what isn't? We really want to hear from you. It isn't about me talking and trying to persuade you. The whole idea of tonight again is to engage with you, to hear your ideas and those ideas will all be accumulated, put forward for consideration by the Minister of Finance as we move forward.

I do want to just go over a couple of key dates as we move towards the referendum. During the week of June 13th, ballots will be mailed out to all homes around the province. By June 24th, most home should have received that ballot. You will have time...but they do have to be mailed and back to Elections BC no later than July 22nd. So, I encourage people - when they get them, if they have the information that they need to have an informed opinion and cast their ballot to do so and get it back to Elections BC so it's there in time. The count will begin on July 25th and all indications are - by Elections BC - and by mid August, we should have the results of the referendum.

So, we've heard a great deal. I've said earlier in my opening remarks, I personally wish this would've happened 18 months ago and this would've been the process we began. Unfortunately, it wasn't. It is rare, I think, in not only in our country, but in my study of politics

that when a government errs in a decision, that it's pretty rare we hear them say they made an error. I'm proud to be part of the government... As you know, the way this was rolled out was definitely not just an error, but probably an error of magnitude that every government in the world can learn from. The key issue here is recognizing that error and trying to correct it.

The people of British Columbia earned their right to have a say in this tax policy. They went through a process under the Recall and Initiative Act that was led by many thousands of British Columbians, hundreds of thousands of people signed the petition. Many people I know - that I speak to - said, you know, I sign this because the government just did not engage us in such a major tax policy shift. I also see those same people today saying, well, thank you for doing this. I don't know where they're going to land on, how they're going to vote, but government hopefully - and without question to my mind - has learned a valuable lesson from this and I know governments from around our country have watched closely what is taking place here.

The telephone town hall this evening is an incredible way to engage British Columbians. Not only on this issue, but I think you know, as we look forward to the future, I would anticipate that we will be able to do this again on major issues and hear from you, and that's what it's about.

So, Lisa I won't take up a great deal more time and hopefully we can get to as many people and questions as we can. My understanding presently, is we have 26,000 people engaged on this call and I'll tell you, it is just an amazing experience to be able to engage that many people and allow them to still be in the comfort of their home at the same time. So, thanks everybody. I'm looking forward to the questions as they come.

**Moderator:** Great. Thank you, Minister. Our next question is from [Caller]. [Caller] is from West Vancouver and he's got a question about the HST and the efficiency of it. Go ahead, [Caller].

**[Caller]:** Yes, thank you for this opportunity. My question is actually for Ralph Sultan. What evidence is there today that the HST is an efficient tax?

**Hon. Blair Lekstrom:** Well, thanks [Caller]. Ralph is on the call; he is not able to actually respond directly to you. So, if you do know Ralph, I know you can give him a call at the Constituency Office. He will certainly I know will be more than happy to engage in that discussion.

The HST eliminates duplication, you know, as I said earlier. I have chaired the Finance Committee for a number of years in British Columbia. We heard many presentations during that time to say, you know, get rid of the PST and GST; amalgamate it under a harmonized system. It certainly will save businesses' time, it will save them money, if businesses, to lower their cost. I mean, the reality of 90% of the - I'm going to speak to the East Coast here where they've had an HST - 90% of the savings are passed on to the consumer over there. There has been the

question here saying I'm not seeing those savings yet. It may take some time. I think it's going to go to the fact of good business practice in a competitive market. You're going to have to be very competitive; you're going to have to pass that on. As well, the harmonization will save BC tax payers \$30 million in administrative cost. Now, that \$30 million that's saved will go back into different programs, whether it's health care, education, social programs or any of the other programs that we deliver. So, I think there are some pretty good benefits ultimately and I go back to this a lot and I know people may or may not get tired to hearing it: the biggest benefit we can have is a competitive environment, a taxation climate in which people will invest their dollars creating jobs for you and I and our families. So, thanks [Caller].

**Moderator:** Thank you. Our next question is from [Caller]. She's from Delta and she has some questions about the how the HST was rolled out initially. Go ahead please.

**[Caller]:** Okay. First of all, we were lied to, there's no doubt about that. And I resent the HST being run down. If we must speak about improvements on HST, the one thing I would have to say is that we need the reinstatement of the tax exemptions on clothing purchased for children under the age of 15 we lost because of HST.

**Hon. Blair Lekstrom:** [Caller], we did and I have heard that certainly numerous times over my discussions, even before these calls. That was...it's a very important issue for people. So, that is one that will be in the mix, which I can assure you. Now, where we're going to land on that? I never want to leave the impression that when I say it will be in the "mix" that it will be dealt with this tax. I know the Minister has heard that as well.

I am going to go back to your first comment... where you referred to being lied to. Jeanette, I sat at the Cabinet table; I sat in caucus; there was no discussion of this. I have no reason - I don't know you - I have no reason to tell you anything that wasn't factual. So, do I understand people's scepticism as how quickly things changed - Most definitely I do - but I won't accept the fact that you were lied to; it just isn't true...and I don't know if I'll convince you any differently. But I won't let it go without being very clear that that just is not factual.

**Moderator:** Okay. Thank you. Our next question is from [Caller]. [Caller] is from North Vancouver and she wants to talk about tax breaks for families. Go ahead [Caller].

**Hon. Blair Lekstrom:** Hi, [Caller].

**[Caller]:** Yes, hi there. Hi. Just following on the heels of [Caller], I strongly agree with her on the clothing issue, you know. We are a young family, I have a young son. We've gone from paying just PST on his clothing to now paying 12% on, not only his clothing, but everything else: his toys, you know, stuff that we want to put him into, like his extracurricular activities, doctor, day camps for the summer time. Now they claim all the HST is included, but they've upped the

prices to accommodate for the HST and having to pay for the HST. It is very frustrating to me. We are on a very specific budget. We have a very high mortgage because we live in North Vancouver. Housing here is not cheap for a young family at all. But we need to live here because I need to be closer to my mom who is not well and it's just very frustrating to me. It is very upsetting that this has been imposed on us and, you know, we have not only stuff for my son to buy, but some things we can't afford to buy because of the HST. I would love to be able to put him into a lot of things that we can't afford because the HST is taking that away from us. I'm seeing no tax break at all.

There was talk initially of maybe, perhaps, giving us a personal income tax break to sort of offset the difference of the HST. That was put on hold and now we're seeing no break and I understand that this tax is better in the long run - I get the global picture - but I just wanted to put it out there. And I'm sure I'm not the only one. I'm not alone that it is very hard and we would very much appreciate some tax break, any tax break, some sort of break on even just buying his clothing again. My 8-year-old doesn't understand why he has to pay HST on his toys. Try explaining that to an 8 and a half year old.

The last point that I would like to make in all of these frustration is just the fact that it is very difficult, and we don't qualify for any kind of rebate for the old GST now I guess it would be HST, because apparently, as you know, as a married couple we make too much even though we struggle. So, that is my frustration and I would hope that whatever the outcome is with this referendum and whether we have to keep the HST or not that we see some sort of tax breaks coming down for families like myself.

**Hon. Blair Lekstrom:** Well, [Caller], I will do my best to try and answer what you've raised. The clothing issue, I hear that loud and clear. So, whether it'd be yourself or [Caller] that's it. You mentioned toys; toys wouldn't have changed [Caller]. There was the PST and GST on those before, now there's the HST and it's identical.

80% of our consumer spending does not change; it's not affected by this; it does for the other 20%. But the one thing - and you were talking about taxes and I'm going to...sometimes government doesn't do the best job communicating many of the positive that has happened out there. We today pay the lowest personal income taxes in all of Canada for people on the first \$119,000 of earned income; that is the lowest rate in all of Canada and years ago, we were the highest rate in all of Canada. So, we also have eliminated taxes for low income people of \$18,800 or less, to help those less fortunate, you know, we have got some significant savings when it comes to those tax reductions.

I'm not sure where your income level is at, but I'll give you an example. A family of 4 in 2001 that was earning \$70,000 would've paid \$4,420 in personal income taxes here in British

Columbia. Today, that same family of 4 earning \$70,000 pays \$2,265 that's over \$2,000 savings alone, very significant. Those are the types of things we've been doing. Now, is it enough? I mean, we always hear these things that we can do better and I agree, every day I try and improve. But we have tried to make sure that we not only have a competitive jurisdiction for business to invest, but for families and on the average, the average reduction in personal income tax in British Columbia since 2001 has been 37%. So, I think that's a pretty incredible step towards going from the highest tax jurisdiction to the lowest today with all taxes combined - when everything is combined. Not just personal income taxes - we generally have one of the lowest overall tax burdens in the entire country.

Hopefully - I don't know if that's the answer you're looking for - hopefully I've shared some information with you that is new. But again, I'll also reiterate, there is a website people can go to about the HST for further information. It is [www.hstinbc.ca](http://www.hstinbc.ca). I think it's a great website. It really will help answer many questions that you may have about exemptions and what is and what isn't on there. There's also a new survey and comment section on the website that encourage you...anyone can to participate in that. Thanks, [Caller].

**Moderator:** Great, thank you, Minister. Our next question is from [Caller]. She's from Richmond. She has a question about whether HST will go. Go ahead [Caller].

**Caller:** Hi, thank you. I'm actually a mother of two young children myself and I agree with some of those frustrations that [Caller] was talking about. But my biggest frustration so far is that when I'm.... I understand that (??) to pay tax, to pay for some of the things that are important to us. But I haven't seen so far what paying the HST has done to fund programs; not just academic programs for young children, but programs that support, you know, social, emotional and physical development in our schools, but you know cuts in my area - none have extra funding. And so, it just seems like we're paying this HST, we're paying extra tax, the things [unknown] just seeing these cuts and specifically they work with [unknown] programs with cuts in our neighbourhood and there a lot of schools in our neighbourhood. This is [unknown] prevention program. And, you know, there's others I have heard of. So, I just want to know where the money is going, if not for these programs that are really important for our children.

**Hon. Blair Lekstrom:** All right. Great question, [Caller] and I will...it'll take just a minute or two; I'll go through where it's going.

All of the money that's collected, if you look at the HST portion, it goes towards health care. We actually have a budget of \$41.9 billion this year that we're spending: 42% of that goes directly to health care; 27% goes directly to education; 8% goes to social programs / social services; 6% goes to interest and debt; and 17% goes to every other service you and I enjoy and our families enjoy. The one thing that I will point out though...you mentioned cuts and, you know, since



2001, the health care budget was about \$8.7 billion, today it's over \$17 billion. We have more than doubled the health care budget. Education as well. We have the highest education spending and I know, I always here...the opposition is talking about, it's different. All you have to do - you can look at the audited financial statements of the province; you can look at the budget. We have increased our spending on education well over a billion dollars since we came to office. I think it was probably in the range of 1.4 billion, \$1.5 billion. So, sometimes we get, you know, we hear things that we've cut funding, we've done that. There may be adjustment in the service delivery or the services that are put forward and based on who is responsible for those, whether it'd be, you know, health programs or education programs, they try and meet the needs of the people. But at the end of the day, even that means spending \$41.9 billion today. We don't bring that much in, so that's the challenge.

For every year...we have a deficit budget, you and I, certainly [unknown] will get to enjoy the services to a degree. But it'll be our children and our grandchildren that are going to pay for our overspending today. And when you sit down and have that discussion - when I have it with my friends and my family - people then kind of put it in the context and say, you know, I guess we better get our spending under control. And I don't want to [unknown] the government. We want to engage in that.

For 10 years, I've served as an MLA and I can tell you [caller], 99.9% of the people I have dealt with when it comes to saying, I want more, you know, they want more spending but they want to pay less taxes. I'm first and foremost a British Columbian and I'm the first one to say that, you know, that's just not realistic. We can't continue to increase services and increase spending and at the same time reduce what you and I pay. I do think it's time to have a great discussion with British Columbians, with government, all levels of government, to find out what the priorities are and I also believe that most British Columbians, you know - I can't speak for you - would agree that we have to get our financial house in order so that our children and future generations can enjoy the same quality of life we have today.

So, that's where the money goes, [caller]. Hopefully I have put forward where it goes and how we spend it on behalf of the people of British Columbia. But every day is a challenge because there is always an opportunity to spend more money, but we have to find that balance.

**Moderator:** Thank you, Minister. Our next question is from [Caller]. He's from Delta and his question is about some exemptions on the HST. Go ahead [Caller].

**[Caller]:** Yes. Thank you very much. You know, we heard that the HST would cost an average of about \$320 per family and as far as I'm concerned, it cost me maybe 4 times that. So, maybe just to leave it - selfish on my part - but if there is any consideration of whether you're saying the HST for golf club memberships, some tickets... and also, I eat, out a lot. So, the extra tax



that we pay in the restaurant and bar, you know, well I have more than \$320 a year. So, this... brings under consideration to review the tax on those items that I just mentioned.

**Hon. Blair Lekstrom:** Good question. And that is really the fundamental reason we're hosting this telephone town hall just to hear from people about, you know, ideas on how the tax is impacting them, how it could actually be improved so, it didn't have quite the impact.

So, the idea is whether it'd be on food or other issues... on memberships as you said. I know that's what we want to hear from you out there tonight and on the other town halls as well. I will point out that what you've just put forward I have heard on other town halls as well, [Caller]. So, I do know it's in the mix for consideration from our Minister of Finance, when he looks at it. Everything has been put forward from the public of British Columbia on ideas on that we didn't have, the HST, as well as looking at those in a realistic manner.

For every 1% that the HST would be reduced, there is a cost to government of over \$800 million. I do think most British Columbians expect their government to get back to a balanced budget position as quickly as possible; then that new revenue becomes available whether it'd be through this tax, or increased resource revenue, to take that money and do things like what you've just talked about.

So, I want to thank you for that question, [Caller]. I will go back...80% of what we do and buy and consume today in our day-to-day life, is the same as it was prior to the HST. The impact of the HST; there's an impact on 20% of our consumer spending. So, many people I think that it was going to affect a hundred percent of their spending, when in fact that isn't the case. As I said, the GST and PST prior, and the HST today, are identical on 80% of what we spend. So, thanks [Caller].

**Moderator:** Thank you. And again, if you want to ask a question, please press star on your keypad and then the number 3.

So, we're going to our second feedback question for the night. So, the question is and I'm going to read the question and answered twice for you. The question is, if British Columbians choose to return to the PST plus GST Systems, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose and there are three options. Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Or run larger deficits, press 4.

Again, the question is, if British Columbians choose to return to the PST plus GST Systems, there will be a negative impact to the provincial budget. If you could pick only one option to make up the revenue difference, which of these would you choose and there are three options. Increase the PST rate, press 2. Raise income taxes or other taxes, press 3. Or run larger deficits, press 4.

Thanks for participating. We're going to go back to our questions now. We have [Caller] from North Vancouver and she has a question about how government can ensure businesses could pass on the HST savings. Go ahead [Caller].

**Caller:** Yeah, thank you. Yeah, that's basically my question there. The understanding was that the tax shift was going to go down to, you know, the individuals and the people that are being affected by...most are lower and the middle income families. Well, at the end of the day, people with the higher income tax brackets that make those choices as to whether or not to lower prices, or to increase salaries, and I don't see either one of those happening. So, I thought that, like many people on this call have already mentioned, that it just seems that all of...like nothing is going down unless we're just spending more and more and more.

**Hon. Blair Lekstrom:** All right. Well, [Caller]. Thank you for the question.

A couple of things: low income people...and I'll speak to that briefly first to start. We have about 1.1 low income people that will directly benefit as a result of the HST, to a degree; they will be receiving more money as a result of these credit cheques going back that they didn't get under the previous GST format. So, that helps the lower income side.

The wage side, really, I think the market sets those in most cases. We have just recently made the decision and implement it, raise in the minimum wage; it was \$8, it is now \$8.75. It will - within an additional 16 months from today, I believe or roughly that time frame - be up to \$10.25. I think a very good shift, to be quite honest with you, it was long overdue and I'm proud of the move that we made. Premier Clark came in and very quickly following her election as the Premier of British Columbia made that commitment and we will follow through on it.

So, there are a number of things: Will the businesses pass this on? You know, businesses are in a very competitive situation out there. If they don't pass on the savings that they realize from this, I don't think they're the ones that are going to be in business that long. I look to the East and you try and do comparisons where people have brought this tax in; Indications show today that back in Eastern Canada, 90% of the savings businesses have realized have now been passed on to the consumer. So, I can't say it will be immediate, but because of the economic world in which we live, being competitive is the fundamental basic to staying in business. I do think our businesses are going to - I know they recognize that - I know that they're going to pass on - certainly the competitive ones - are going to pass that savings on. So, thanks for your question though, [Caller].

**Moderator:** Great, thank you. Our next question is from [Caller]. [Caller] from West Vancouver and here's the question about the HST in condos. Go ahead [Caller].

**[Caller]:** Yes, hello Minister. I'd like to say thank you very much for the opportunity.

**Hon. Blair Lekstrom:** Thanks, [Caller]

**Caller:** I'm actually very much in favour of the tax. I think it's the right kind of tax going forward; a consumption tax makes sense. But the way that it was implemented by the government, I think on so many levels, was just horrendous. It's a major shift in tax policies and it just doesn't seem like there was any consideration as to the impact to allow the [unknown].

Just to address a couple of things that you brought up: you were talking about discretionary or it only being applied to 20% of your spending; but that's all your discretionary spending, it's stuff on top. So, it really impacts the dollars that people are spending on businesses. My wife owns a restaurant and it was very detrimental to her business.

In regard to my question: we have a condo that has a leaky roof and we've been penalized a lot for that and that was something that was, you know, poorly handled by the governments as well and that they re-built the standards and then we're sub-standard. But we were in the middle of getting it repaired and the HST came in and that added about \$10,000 to our bill and I think that that's really unfair, for something that people are being penalized already. I think in fact that it should be tax exempt. The government shouldn't be making a profit on something that is really an unfair situation for the owners. So, I just would like to know what your comment is on that

**Hon. Blair Lekstrom:** All right, [Caller]. Well, thank you.

First, I will start off by agreeing with you on the implementation. I think without question - not only myself and you, but all British Columbians - if we were to become unanimous in something in British Columbia, it would be on how this tax was implemented and that recognition is there; that it was not done properly, without question.

Now the issue you have on leaky roofs, [Caller]. That is more of a technical question. I don't have an answer for you on that. The one thing I will encourage you to do though, if you could - and if this doesn't work - your MLA - wherever you're calling from [Caller], if you could get in touch with your MLA's office, put that question forward. I know that they will go to work on that and get you the answer.

I just don't want to come out and say something that isn't correct and how it applies. I mean, I want to make sure you get the proper answer. I've never been scared to comment - whether I'm in this position or any other one I've had - to say, you know what, I don't have that answer and in this case, [Caller], I don't have an answer for you. But do get a hold of you MLA's office and I know that they will go to work on this and get you the answer. But thanks for your call, [Caller] and I'll apologize for not having the information to respond to you on that.

**Moderator:** Thank you, Minister. Our next question is from [Caller]. She's from North Vancouver and she has a question about the HST and tourism. Go ahead [Caller].

**Hon. Blair Lekstrom:** Hi, [Caller]. Hello?

**Moderator:** Okay...

**Hon. Blair Lekstrom:** We might've lost [Caller]. Are you there [Caller]?

**Moderator:** So we'll go to [Caller]. [Caller] is calling from Bowen Island and he wants to ask how government is going to deal with small businesses that didn't have to charge the PST and now have to charge HST. So, go ahead [Caller].

**Caller:** Hi. Thank you for having this forum, I really do appreciate it.

**Hon. Blair Lekstrom:** All right, thanks.

**Caller:** I've actually got a couple of questions: First one is about small businesses. I live on Bowen Island. I have things that relate to my home and as a result, I deal with small businesses and they didn't end up dealing with the PST previously. So, they don't have the efficiencies, but they have the extra cost that they have to pass on to us as consumers. But the second question that I have... is there something that can be looked at in regards to that?

The second question I have is just that obviously, the HST is an additional tax increase to British Columbians and being on Bowen Island, I would be interested in knowing whether some of those funds could go to the subsidization of the BC Ferries for commuting from Bowen Island to the mainland, as we have to pay for our highway across the water, where someone in Whistler or Dawson for the billion dollars that was paid into the highway built there and other places in British Columbia. So, I wonder if you could address for both of those questions.

**Hon. Blair Lekstrom:** Well, thanks [Caller] for calling in and thanks for your question. If I understood your question, about small businesses, if they didn't have to charge GST before, under the HST, they won't have to charge that now. So, I hope I'm not misunderstanding your question. If I am again, I'll encourage you to contact your MLA's office; they can get it to me or whatever. Much of it is the same, most small businesses, I mean, what I have heard on this one, [Caller], is it's a benefit. I mean, it has streamlined the small business sector from having to deal with PST and GST into the one form of HST. Overall there's about a \$150 million savings to the business sector in just that alone. So, hopefully I'm answering your question.

The other one that you talked about...it is with the money, the new money, what can it be used for? That's what we're here tonight to do; to listen to what the people of British Columbia

think. That as we move forward, if the HST is determined to be kept by the people of British Columbia, how would they want to see any opportunity for future revenues to be utilized.

Now BC Ferries, I'll speak pretty freely to that: it does fall under my portfolio that I have. There has been a great deal of talk about BC Ferries, recently with the new term coming up, where the increases at 4.15% and 8.23% that were put forward to the commissioner. It became very clear, very quickly that people were very concerned, particularly with the over 8% increase each year for 4 years. We have an independent Ferry Commissioner that is accepting input right now from the public. If you haven't, [Caller], had the chance to put forward your ideas on...if you have ideas on the ferry system, what would make it better, what would make it more efficient, I'm going to encourage you to do that. It allows every British Columbian to have input into that without question.

Today, we put in \$150 million provincial dollars, \$150 million per year. There is an additional \$26 million put in by the Federal Government as a service to help offset the cost. Traditionally, the main routes are the break-even point, or make money, but our Northern and smaller routes definitely are where the money is going to help offset the cost on those. Is there a better way to do it? I know the commissioner is waiting for input from British Columbians before he puts his final report together. I'm going to encourage you to participate there if you can. I hear British Columbians don't think it is sustainable 'cause we're looking at 8% increase this year over year, over year and I know the premier - as we made it very clear - with her family's first agenda; this is about the ability for people to provide for their families and have a quality of life and make sure that we do...and the services we provide in BC are sustainable. And that means the ferries as well. So, you've raised a great point, [Caller] and thanks.

**Moderator:** Great, thank you. This has been a great town hall. We're just got time for just a couple of more questions before we wrap it up. So, we're going to talk to [Caller] next. He's in North Vancouver and he has questions about personal income taxes and corporate rates. Go ahead [Caller].

**Caller:** Okay. Hello, Minister.

**Hon. Blair Lekstrom:** Hi, [Caller]

**Caller:** I appreciate the opportunity to get in on this forum and I guess, to let you know, I am in favour of HST. I am a small business owner. However, it does dramatically affect my business in a sense that I didn't have to charge PST on my services. I'm in trucking and heavy equipment and I didn't have to charge PST on those services in the past and when I do a job for a homeowner, they don't get to credit it back. So, when I charge this on top of a fairly good-sized invoice, that's a big hit for that consumer. What I'd like to know is there going to be any tax breaks on personal and corporate tax to help offset the additional burden to the consumer

because the consumer in my business is paying a lot more and it puts a huge burden on people like myself having to collect it and remit it, whereas in the past, we didn't have to. So, I guess my question is are we going to be getting some tax breaks on personal and corporate taxes to help offset the additional burden?

**Hon. Blair Lekstrom:** Thanks, [Caller] for the call. A couple of things: certainly on the service side, there is an impact. That has to increase the cost...I totally accept that, as a transportation industry or trucking inspector, your inputs. So...and the capital that you spend, whether I'm going to use tires, or I mean, I don't want to go into a full list here.... But the issue is you buy - you can actually now claim back the full 12 points as a small business person - as 12% which then lowers your cost. That will allow you then, obviously, too if you can reflect those lower costs, and that what you charge to your customer. So, that's very important.

We right now have lowered our small business rate to 2.5%, you know, very competitive and we continue to look at opportunities to do that...and the reason we're having this call tonight. First and foremost, I do want to reiterate that I think it's important - and probably most people will agree - we've got to get back to a balanced budget situation. Continually spending more money than we bring in is going to - and continues to put a heavy burden - you know, to be honest with you, not so much on ourselves, but on our children and grandchildren who are going to have to pay for this.

We're going to continue to look at our tax regime to make sure we're competitive. We have lowered not only small business tax to corporate rate, but personal income taxes. We now pay the lowest personal income tax in all of Canada on the first \$119,000 of earned income. We reduced the provincial income tax for low income earner. So, anybody earning \$18,800 or less a year pays zero provincial personal income tax. [Caller], we are going to look at every opportunity we have to ensure that we have a competitive tax regime for individuals, for small business and for the corporate sector. So, as we get back primarily to the balanced budget position, the opportunities open up then that we can look at more and more of the opportunities that you've just talked about. Thanks, [Caller].

**Moderator:** Thank you, our next question is from [Caller]. She's from West Vancouver and she has a question about what will happen if the referendum doesn't pass. Go ahead [Caller].

**Caller:** Good evening, Minister. Thank you for taking my question.

**Hon. Blair Lekstrom:** All right. How are you tonight, [Caller]?

**Caller:** I'm fine, thank you. I was just wondering...they're all talking about the HST. But if it is defeated, I'm wondering...to make up the revenue that you're going to be losing - the 20% of items that are on the HST - is the government going to put the PST on them? Would they

increase the PST just to make up the deficit that they will not be receiving if the HST is defeated?

**Hon. Blair Lekstrom:** All right, great question, [Caller]. You know, if this is defeated, then we will go back to the PST/GST system as it was. I mean obviously this does bring more money, the HST. There have been some people say; it almost seems upsetting that it brings in more money. All of the money it brings in - we can never forget - goes to the services, whether it'd be health care, education or social program. Human nature is that, when government increases revenue, they think it goes somewhere. The only place it goes is back to the services you and I enjoy. So, will there be an impact if the people of British Columbia decide to go back to the PST/ GST? Most definitely. How we will fund that, and how it would be dealt with, it's something government is going to have to figure out. And when that happens, if it goes that way, I think there will be a full engagement of the public in that regard.

We have some financial challenges and without question, it's in about \$3 billion range over the next couple of years if the decision is made to go back to our old tax system. Yeah, you can't just spend money you don't have. So, will there be an impact? Yes. But I also do not want to leave the impression that some people [unknown] that's a track you're going to have to vote for it, absolutely not. We will find a way. We live in an incredible province and - I say this quite often - on our worst day in British Columbia, we will have it better than 90% of the world will ever enjoy on their best day. So, will it create a challenge? Will it create a challenge financially? Most definitely, it will. We'll find a way to work together to make it work and what that means - I don't have the answer to that yet, or how we will find that money. I think that I'm going to wait to see how this vote turns out and then we'll move forward - which ever decision British Columbians make and then make those determinations. Thanks for the question. I thought it was very good, [Caller]. Thanks.

**Moderator:** Great. Well, thank you. Our time is almost done for tonight's town hall. If you didn't get a chance to comment or answer your questions, you still have an opportunity to do so if you stay on the line when the call is finished. You'll hear a prompt and then you'll be able to leave a message. Minister, do you have any closing words for us tonight?

**Hon. Blair Lekstrom:** Well, Lisa. Thank you very much. I guess, first and foremost, I want to say thank you to everybody who has participated tonight: for those that I had the opportunity to call in; for those who stayed on the line; whether you could stay on the line for 5 minutes or were there from the beginning. Tonight is about hearing from you; what would you do if the HST was to be kept how would we improve it?

I think we've heard some common themes of what I've heard before. I've heard some new ones from the people and I want to thank them for that as well. This is about British Columbians and



I think what we've done tonight, in this telephone town hall, it's an amazing way to engage people. I tell people when I went into my first call - which was held in my home riding up in the Northeast part - I wasn't sure what to expect. I didn't know whether it was a good format or a poor format. I have bought-in to the format of what we're using here tonight – through the telephone town hall. I can't think of a better way for the public...and this many; I think we have about 28,000 people engaged in this. There is just no other method where you can engage that many people and hear from them and have a dialogue.

So, thank you. It is clearly about British Columbians. I wish this would've occurred sometime ago. So, that debate I think has been concluded, there is no question, the implementation was handled as poorly as could possibly has been handled. The recognition is there though and I thank the colleagues I work with and I want to thank again all of you who took the time.

If you didn't get a chance to ask your question tonight, make sure you visit [www.hstinbc.ca](http://www.hstinbc.ca); you will have the opportunity to participate in the survey there as well as the comment section. It's a great website on what and how the HST works. And if you want, you can stay on following this call as well and you will be able to leave a recorded message as well. So, in closing, thank you. Everybody lives a very busy life in the world in which we live today and the opportunity to engage you is what I'm very grateful for. So, thanks and have a great evening.

**Moderator:** Great, and thank you Minister for giving us your time in participating. Again, thanks to everybody for participating. We had almost 29,000 people on this call. So, have a great night and thanks again.

[Link to Invoice Coding Sheet completion instructions.](#)

PAYEE NAME 2037770 ONTARIO INC. \* SUPPLIER # 2309637 \* SITE 001

CONTRACT/PO # C12HST24347 INVOICE DATE 05-MAY-2011 INVOICE # GOVBC-001  
DD-MMM-YYYY

DATE INVOICE RECEIVED 05-MAY-2011 DATE GOODS/ SERVICES REC'D 05-MAY-2011 RECEIPT #   
DD-MMM-YYYY DD-MMM-YYYY

NAME &/OR ADDRESS OVERRIDE:	DESCRIPTION FOR CHEQUE STUB:  C12HST24347; Inv #: GOVBC-001 Re: Telephone Town Halls - Apr 27 & May 4
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**DATE CHQ/EFT REQ'D**  
(ONLY IF URGENT) DD-MMM-YYYY GL DATE (if applicable) DD-MMM-YYYY PAY ALONE? YES ☐

AMOUNT (INCLUDING TAX)	PRE-TAX AMOUNT	TAX RATE 12%, 11%, 5%, 0%	CL	RESP	SERVICE LINE	STOB	PROJECT	NAME & SUPPLIER # if STOB 57	OFA STOB & ASSET #
82,880.00	74,000.00		022	32955	34753	6001	3200000		
<b>82,880.00</b>	<b>TOTAL</b>								

\* **EXPENSE AUTHORITY (EA) INFORMATION:**  
\* DEBORAH FAYAD  
EA PRINTED NAME  
\* **BRIEF PAYMENT DESCRIPTION FOR EA NOTIFICATION:**  
Note: This is also the line description displayed on GL detail reports.  
  
\* Telephone Town Halls - Apr 27 & May 4  
(C12HST24347)

\* **QUALIFIED RECEIVER (QR) CERTIFICATION:**  
\* JIMMY KIM  
QR PRINTED NAME  
The goods provided or services delivered have been inspected or reviewed; and the goods or services were properly received and documentation to support the account has been verified (i.e., goods: as ordered, correct quantity and suitable quality; services: as contracted, appropriate deliverables and/or performance criteria met; or other conditions, if any, have been met).  
  
\*   
QR SIGNATURE

**ADDITIONAL INFORMATION OR INSTRUCTIONS:**

**BRANCH BUSINESS CONTACT NAME AND PHONE NUMBER:**  
JIMMY KIM 604-660-4528

**ACCOUNTS DATE STAMP**



CAMPAIGN RESEARCH

# INVOICE

8 York Street  
2nd Floor, Ottawa, ON K1N 5S6  
p. 613-482-0622 m. 416.706.0109

**DATE:**  
May 5th, 2011

**INVOICE #**  
GOVBC - 001

**Bill To:**  
HST Information Office  
920 - 360 West George Street  
Vancouver, British Columbia V6B 6B2

**For:**  
Telephone Townhall Services

by email to: [pik.fletcher@videotron.ca](mailto:pik.fletcher@videotron.ca)

DESCRIPTION	AMOUNT
2 Telephone Townhalls on April 27th, 2011	\$ 29,600.00
3 Telephone Townhalls on May 4th, 2011	\$ 44,400.00
HST (Account # <span style="color: red;">517</span> ) @ 12%	8,880.00
<b>TOTAL</b>	<b>\$ 82,880.00</b>

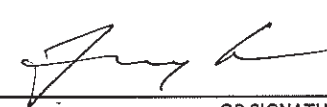
Please make all checks payable to 2037770 Ontario Inc. Payment due net 30 days.

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If you have any questions concerning this invoice contact Richard Ciano, 416-706-0109, [rciano@campaignresearch.ca](mailto:rciano@campaignresearch.ca)

**THANK YOU FOR YOUR BUSINESS!**

[Link to Invoice Coding Sheet completion instructions.](#)

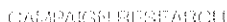
PAYEE NAME <u>2037770 ONTARIO INC.</u>					* SUPPLIER # <u>2309637</u>		* SITE <u>001</u>		
CONTRACT/PO # <u>C12HST24347</u>		INVOICE DATE <u>23-MAY-2011</u> <small>DD-MMM-YYYY</small>		INVOICE # <u>GOVBC-002</u>					
DATE INVOICE RECEIVED <u>24-MAY-2011</u> <small>DD-MMM-YYYY</small>		DATE GOODS/ SERVICES REC'D <u>24-MAY-2011</u> <small>DD-MMM-YYYY</small>		RECEIPT # _____					
NAME &/OR ADDRESS OVERRIDE:					DESCRIPTION FOR CHEQUE STUB:  C12HST24347; Inv #: GOVBC-002 Re: Telephone Town Halls - May 10 & May 12				
DATE CHQ/EFT REQ'D (ONLY IF URGENT) _____ <small>DD-MMM-YYYY</small>		GL DATE (if applicable) _____ <small>DD-MMM-YYYY</small>			PAY ALONE? YES <input type="checkbox"/>				
AMOUNT (INCLUDING TAX)	PRE-TAX AMOUNT	TAX RATE <small>12%, 11%, 5%, 0%</small>	CL	RESP	SERVICE LINE	STOB	PROJECT	NAME & SUPPLIER # if STOB 57	OFA STOB & ASSET #
105,056.00	93,800.00		022	32955	34753	6001	3200000		
<b>105,056.00</b>	<b>TOTAL</b>								
* EXPENSE AUTHORITY (EA) INFORMATION: * <u>DEBORAH FAYAD</u> EA PRINTED NAME * BRIEF PAYMENT DESCRIPTION FOR EA NOTIFICATION: Note: This is also the line description displayed on GL detail reports.  * Telephone Town Halls - May 10 & 12 (C12HST24347)					* QUALIFIED RECEIVER (QR) CERTIFICATION: * <u>JIMMY KIM</u> QR PRINTED NAME The goods provided or services delivered have been inspected or reviewed; and the goods or services were properly received and documentation to support the account has been verified (i.e., goods: as ordered, correct quantity and suitable quality; services: as contracted, appropriate deliverables and/or performance criteria met; or other conditions, if any, have been met).   * _____ QR SIGNATURE				
ADDITIONAL INFORMATION OR INSTRUCTIONS:  									

BRANCH BUSINESS CONTACT NAME AND PHONE NUMBER:

JIMMY KIM 604-660-4528

ACCOUNTS DATE STAMP

\* Note: Fields with an asterisk do not need to be completed for iProcurement invoices.



# INVOICE

**INVOICE #**  
**GOVBC - 002**

**For:**  
**Telephone Townhall Services**

by email to: [jimmy.kim@gov.bc.ca](mailto:jimmy.kim@gov.bc.ca)

Please make all checks payable to 2037770 Ontario Inc. Payment due net 30 days.  
Campaign Research is a division of 2037770 Ontario Inc.  
If you have any questions concerning this invoice contact Richard Ciano, 416-706-0109, [rciano@campaignresearch.ca](mailto:rciano@campaignresearch.ca)

Page 549  
FIN-2011-00156



# HST Information Office Telephone Townhalls Report

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## Executive Summary

From Wednesday April 27<sup>th</sup> to Thursday May 12<sup>th</sup>, 2011 Campaign Research conducted a series of 11 telephone townhalls for the HST Information Office of the Province of British Columbia. The telephone townhalls were initiated to inform the public about the Harmonized Sales Tax and solicit feedback from the public on how the HST could be improved. The HST Information Office telephone townhall project was the largest telephone townhall consultation of its kind commissioned by a federal, provincial, or municipal government in Canada to date.

This report provides both qualitative and quantitative results from the townhall project, but it is important to note that any findings herein are representative only of those who choose to participate in the telephone townhalls, and not the general public of the Province of British Columbia. Those who choose to participate in the telephone townhalls cannot be considered a random sampling of residents of British Columbia, and therefore no margin of error calculations are provided. None of the findings in this report are projectable using statistical methods to the general public of British Columbia.

Over the course of 11 telephone townhalls 1,414,161 public listed telephone numbers of British Columbia households were dialled. From those households a total of 276,504 British Columbians joined one of the 11 telephone townhalls.



## Telephone Townhall Call/Attendance Statistics

Region	Households Dialed	Live Answer	Total Attendees	Average time on Call (Minutes)	Participation Rate (Live answers who joined)
Peace River	22,224	9,897	5,878	21	59%
Surrey	135,277	54,138	26,935	16	50%
Kootenays	63,659	28,171	17,316	16	61%
Suburban Vancouver <i>Burnaby, New Westminster, Coquitlam, Port Coquitlam, Port Moody</i>	142,292	50,403	38,522	15	76%
Interior and North Coast	128,452	35,294	23,539	19	67%
Okanagan	143,915	44,747	30,882	17	69%
Fraser Valley	144,771	31,622	24,108	19	76%
Mid Island/North Island/South Coast	162,657	39,109	24,624	19	63%
Richmond/South Delta/North Shore	147,754	45,713	28,845	12	63%
Victoria	134,873	25,431	16,897	15	66%
Vancouver	188,287	52,939	38,958	14	74%
Totals	1,414,161	417,464	276,504	16.6	66%





## Question Statistics

Region	Total questions entered queue	Questions Screened	% of Qs Screened	Questions taken Live	% of Screened Qs Taken Live
Peace River	107	64	60%	17	27%
Surrey	263	77	29%	22	29%
Kootenays	190	117	62%	23	20%
Suburban Vancouver <i>Burnaby, New Westminster, Coquitlam, Port Coquitlam, Port Moody</i>	233	127	55%	24	19%
Interior and North Coast	219	147	67%	28	19%
Okanagan	285	81	28%	25	31%
Fraser Valley	284	142	50%	22	15%
Mid Island/North Island/South Coast	466	130	28%	23	18%
Richmond/South Delta/North Shore	230	101	44%	23	23%
Victoria	234	120	51%	26	22%
Vancouver	244	179	73%	20	11%
Totals	2,755	1,285	47%	253	20%



Participants who wanted to ask a question on the telephone townhall were screened by question screeners who recorded the nature of the question that the participant wanted to ask. Below is a categorization of screened questions according to subject matter.

Question Subject	Exemptions	257 20.0%
	Impact	141 11.0%
	Reduction	135 10.5%
	Application	109 8.5%
	Benefits	109 8.5%
	Implications if defeated	64 5.0%
	Process	64 5.0%
	Corporate vs. consumer taxes	45 3.5%
	Federal vs. Provincial control	32 2.5%
	Tax burden	26 2.0%
	Rebates	26 2.0%
	Disparities	13 1.0%
	Other	263 20.5%
	Total	1285 100.0%



## Post Call Message Summary

At the end of the telephone townhalls participants were prompted to leave a recorded message with the comments. A total of 1035 participants chose to do so. Comments were then transcribed and then categorized according to subject matter or area of concern. Many left comments about various aspects of the HST and only a few left some actual questions, 495 were negative towards the HST and its implementation, 245 were neutral, and 295 were positive.

Regardless of a balance of comments tipped towards negative comments, a large number of respondents were very complementary toward the approach. 211 people were complementary of the approach with many personally thanking the Ministers for the opportunity to participate in the town hall and leave their questions and comments. 18 people were somewhat negative as two had technical problems, one did not want to be called and one said the moderator was not clear enough.

Comments and questions related to the following subject areas:

### Subject area

- 18%      **EXP – Exemptions**  
Many felt that exemptions in place on the PST should not have been applied when HST came into place or thought certain items/services should be exempt.  
Examples included:  
    Vitamins and supplements including other alternative health care products and services and health equipment  
    Schools supplies and books, lessons, camps, sports equipment, adult size clothing for children  
    Homes over value limit and used vehicles  
    Restaurant bills
- 11%      **RED – Reducing HST %**  
All these respondents felt the HST should be lowered by 1 - 2% with many favouring a simple 10% be applied.  
Many felt that if governments watched it's spending in other areas that the revenue loss could be made up.



- 8.50%      BUR – Size of tax burden  
Many people lamented about the additional tax burden the HST brought and the increasing cost of living that was rising faster than incomes.  
A few mentioned the tax on tax when HST was applied on top of other tax items such as the carbon tax or gasoline taxes etc.
- 8%          BEN – Benefits of HST  
Some small business owners advocated that the HST was much simpler and lead to lower costs while others said that it was having a negative impact on their business  
Many consumers were sceptical that the revenue generated would spent by governments wisely while others saw the extra revenue being generated as important for healthcare and social programs
- 3.50%      PRO – Questions about the process of bringing in the tax and/or referendum  
Some thought the HST implementation; especially the communication process around the need was poorly done.  
Others believe the referendum is a waste of money and say it should outright be dropped
- 3.50%      REA – Reaction  
Most in this category took the opportunity to suggest that the real issue is government spending or the focus is misdirected from the real issues such as healthcare or pensions
- 2.50%      APP – Application of the tax
- 1.50%      BAL – Consumer vs. Business tax
- 1.50%      FED – Federal vs. provincial control of HST
- 1%          DIS – Regional/Other considerations/disparities
- 1%          REB – Rebates



## Final Analysis


The level of public engagement in the HST Information Office of British Columbia's telephone townhalls was extremely high. In addition to the number of British Columbians who actually took part in the townhalls, the number of people who asked questions as well as those who left recorded comments far exceeded typical levels of participation in telephone townhalls directed to the general public.

While a small part of the explanation for the high level of participation could be the novelty of the telephone townhall medium itself, it is apparent that the public's desire for more detailed information about the HST was the primary driver.

[Link to Invoice Coding Sheet completion instructions.](#)

PAYEE NAME <u>2037770 ONTARIO INC.</u>					* SUPPLIER # <u>2309637</u>		* SITE <u>001</u>		
CONTRACT/PO # <u>C12HST24347</u>		INVOICE DATE <u>05-MAY-2011</u> <small>DD-MMM-YYYY</small>		INVOICE # <u>GOVBC-001</u>					
DATE INVOICE RECEIVED <u>05-MAY-2011</u> <small>DD-MMM-YYYY</small>		DATE GOODS/ SERVICES REC'D <u>05-MAY-2011</u> <small>DD-MMM-YYYY</small>		RECEIPT # _____					
NAME &/OR ADDRESS OVERRIDE:					DESCRIPTION FOR CHEQUE STUB:  C12HST24347; Inv #: GOVBC-001 Re: Telephone Town Halls - Apr 27 & May 4				
DATE CHQ/EFT REQ'D (ONLY IF URGENT) _____ <small>DD-MMM-YYYY</small>					GL DATE (if applicable) _____ <small>DD-MMM-YYYY</small>		PAY ALONE? YES <input type="checkbox"/>		

AMOUNT (INCLUDING TAX)	PRE-TAX AMOUNT	TAX RATE <small>12%, 11%, 5%, 0%</small>	CL	RESP	SERVICE LINE	STOB	PROJECT	NAME & SUPPLIER # if STOB 57	OFA STOB & ASSET #
82,880.00	74,000.00		022	32955	34753	6001	3200000		
<b>82,880.00</b>	<b>TOTAL</b>								

<p><b>* EXPENSE AUTHORITY (EA) INFORMATION:</b></p> <p>* <u>DEBORAH FAYAD</u> EA PRINTED NAME</p> <p><b>* BRIEF PAYMENT DESCRIPTION FOR EA NOTIFICATION:</b> Note: This is also the line description displayed on GL detail reports.</p> <p>* Telephone Town Halls - Apr 27 &amp; May 4 (C12HST24347)</p>	<p><b>* QUALIFIED RECEIVER (QR) CERTIFICATION:</b></p> <p>* <u>JIMMY KIM</u> QR PRINTED NAME</p> <p><small>The goods provided or services delivered have been inspected or reviewed; and the goods or services were properly received and documentation to support the account has been verified (i.e., goods: as ordered, correct quantity and suitable quality; services: as contracted, appropriate deliverables and/or performance criteria met; or other conditions, if any, have been met).</small></p> <p style="text-align: center;">               QR SIGNATURE         </p>
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**ADDITIONAL INFORMATION OR INSTRUCTIONS:**

**BRANCH BUSINESS CONTACT NAME AND PHONE NUMBER:**

JIMMY KIM 604-660-4528

**ACCOUNTS DATE STAMP**

\* Note: Fields with an asterisk do not need to be completed for iProcurement invoices.



8 York Street  
2nd Floor, Ottawa, ON K1N 5S6  
p. 613-482-0622 m. 416.706.0109

**DATE:**  
May 5th, 2011

**INVOICE #**  
GOVBC - 001

**Bill To:**  
HST Information Office  
920 - 360 West George Street  
Vancouver, British Columbia V6B 6B2

**For:**  
Telephone Townhall Services

by email to: [pik.fletcher@videotron.ca](mailto:pik.fletcher@videotron.ca)

DESCRIPTION	AMOUNT
2 Telephone Townhalls on April 27th, 2011	\$ 29,600.00
3 Telephone Townhalls on May 4th, 2011	\$ 44,400.00
HST (Account # S17 ) @ 12%	8,880.00
<b>TOTAL</b>	<b>\$ 82,880.00</b>

Please make all checks payable to 2037770 Ontario Inc. Payment due net 30 days.

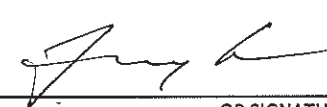
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CONTRACT/PO # <u>C12HST24347</u>		INVOICE DATE <u>23-MAY-2011</u> <small>DD-MMM-YYYY</small>		INVOICE # <u>GOVBC-002</u>					
DATE INVOICE RECEIVED <u>24-MAY-2011</u> <small>DD-MMM-YYYY</small>		DATE GOODS/ SERVICES REC'D <u>24-MAY-2011</u> <small>DD-MMM-YYYY</small>		RECEIPT # _____					
NAME &/OR ADDRESS OVERRIDE:					DESCRIPTION FOR CHEQUE STUB:  C12HST24347; Inv #: GOVBC-002 Re: Telephone Town Halls - May 10 & May 12				
DATE CHQ/EFT REQ'D (ONLY IF URGENT) _____ <small>DD-MMM-YYYY</small>					GL DATE (if applicable) _____ <small>DD-MMM-YYYY</small>		PAY ALONE? YES <input type="checkbox"/>		
AMOUNT (INCLUDING TAX)	PRE-TAX AMOUNT	TAX RATE <small>12%, 11%, 5%, 0%</small>	CL	RESP	SERVICE LINE	STOB	PROJECT	NAME & SUPPLIER # if STOB 57	OFA STOB & ASSET #
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BRANCH BUSINESS CONTACT NAME AND PHONE NUMBER:

JIMMY KIM 604-660-4528

ACCOUNTS DATE STAMP

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# INVOICE

**INVOICE #**  
**GOVBC - 002**

**For:**  
Telephone Townhall Services

DESCRIPTION	AMOUNT
3 Telephone Townhalls on May 10th, 2011	\$ 44,400.00
3 Telephone Townhalls on May 12th, 2011	\$ 44,400.00
Transcription and reporting	\$ 5,000.00
HST (Account # S17 ) @ 12%	\$ 11,256.00
TOTAL	\$ 105,056.00

**THANK YOU FOR YOUR BUSINESS!**



# HST Information Office Telephone Townhalls Report

---

## Executive Summary

From Wednesday April 27<sup>th</sup> to Thursday May 12<sup>th</sup>, 2011 Campaign Research conducted a series of 11 telephone townhalls for the HST Information Office of the Province of British Columbia. The telephone townhalls were initiated to inform the public about the Harmonized Sales Tax and solicit feedback from the public on how the HST could be improved. The HST Information Office telephone townhall project was the largest telephone townhall consultation of its kind commissioned by a federal, provincial, or municipal government in Canada to date.

This report provides both qualitative and quantitative results from the townhall project, but it is important to note that any findings herein are representative only of those who choose to participate in the telephone townhalls, and not the general public of the Province of British Columbia. Those who choose to participate in the telephone townhalls cannot be considered a random sampling of residents of British Columbia, and therefore no margin of error calculations are provided. None of the findings in this report are projectable using statistical methods to the general public of British Columbia.

Over the course of 11 telephone townhalls 1,414,161 public listed telephone numbers of British Columbia households were dialled. From those households a total of 276,504 British Columbians joined one of the 11 telephone townhalls.



## Telephone Townhall Call/Attendance Statistics

Region	Households Dialed	Live Answer	Total Attendees	Average time on Call (Minutes)	Participation Rate (Live answers who joined)
Peace River	22,224	9,897	5,878	21	59%
Surrey	135,277	54,138	26,935	16	50%
Kootenays	63,659	28,171	17,316	16	61%
Suburban Vancouver <i>Burnaby, New Westminster, Coquitlam, Port Coquitlam, Port Moody</i>	142,292	50,403	38,522	15	76%
Interior and North Coast	128,452	35,294	23,539	19	67%
Okanagan	143,915	44,747	30,882	17	69%
Fraser Valley	144,771	31,622	24,108	19	76%
Mid Island/North Island/South Coast	162,657	39,109	24,624	19	63%
Richmond/South Delta/North Shore	147,754	45,713	28,845	12	63%
Victoria	134,873	25,431	16,897	15	66%
Vancouver	188,287	52,939	38,958	14	74%
Totals	1,414,161	417,464	276,504	16.6	66%



## Question Statistics

Region	Total questions entered queue	Questions Screened	% of Qs Screened	Questions taken Live	% of Screened Qs Taken Live
Peace River	107	64	60%	17	27%
Surrey	263	77	29%	22	29%
Kootenays	190	117	62%	23	20%
Suburban Vancouver <i>Burnaby, New Westminster, Coquitlam, Port Coquitlam, Port Moody</i>	233	127	55%	24	19%
Interior and North Coast	219	147	67%	28	19%
Okanagan	285	81	28%	25	31%
Fraser Valley	284	142	50%	22	15%
Mid Island/North Island/South Coast	466	130	28%	23	18%
Richmond/South Delta/North Shore	230	101	44%	23	23%
Victoria	234	120	51%	26	22%
Vancouver	244	179	73%	20	11%
Totals	2,755	1,285	47%	253	20%



Participants who wanted to ask a question on the telephone townhall were screened by question screeners who recorded the nature of the question that the participant wanted to ask. Below is a categorization of screened questions according to subject matter.

Question Subject	Exemptions	257 20.0%
	Impact	141 11.0%
	Reduction	135 10.5%
	Application	109 8.5%
	Benefits	109 8.5%
	Implications if defeated	64 5.0%
	Process	64 5.0%
	Corporate vs. consumer taxes	45 3.5%
	Federal vs. Provincial control	32 2.5%
	Tax burden	26 2.0%
	Rebates	26 2.0%
	Disparities	13 1.0%
	Other	263 20.5%
	Total	1285 100.0%



## Post Call Message Summary

At the end of the telephone townhalls participants were prompted to leave a recorded message with the comments. A total of 1035 participants chose to do so. Comments were then transcribed and then categorized according to subject matter or area of concern. Many left comments about various aspects of the HST and only a few left some actual questions, 495 were negative towards the HST and its implementation, 245 were neutral, and 295 were positive.

Regardless of a balance of comments tipped towards negative comments, a large number of respondents were very complementary toward the approach. 211 people were complementary of the approach with many personally thanking the Ministers for the opportunity to participate in the town hall and leave their questions and comments. 18 people were somewhat negative as two had technical problems, one did not want to be called and one said the moderator was not clear enough.

Comments and questions related to the following subject areas:

### Subject area

- 18%      **EXP – Exemptions**  
Many felt that exemptions in place on the PST should not have been applied when HST came into place or thought certain items/services should be exempt.  
Examples included:  
    Vitamins and supplements including other alternative health care products and services and health equipment  
    Schools supplies and books, lessons, camps, sports equipment, adult size clothing for children  
    Homes over value limit and used vehicles  
    Restaurant bills
- 11%      **RED – Reducing HST %**  
All these respondents felt the HST should be lowered by 1 - 2% with many favouring a simple 10% be applied.  
Many felt that if governments watched it's spending in other areas that the revenue loss could be made up.





- 8.50% BUR – Size of tax burden  
Many people lamented about the additional tax burden the HST brought and the increasing cost of living that was rising faster than incomes.  
A few mentioned the tax on tax when HST was applied on top of other tax items such as the carbon tax or gasoline taxes etc.
- 8% BEN – Benefits of HST  
Some small business owners advocated that the HST was much simpler and lead to lower costs while others said that it was having a negative impact on their business  
Many consumers were sceptical that the revenue generated would spent by governments wisely while others saw the extra revenue being generated as important for healthcare and social programs
- 3.50% PRO – Questions about the process of bringing in the tax and/or referendum  
Some thought the HST implementation; especially the communication process around the need was poorly done.  
Others believe the referendum is a waste of money and say it should outright be dropped
- 3.50% REA – Reaction  
Most in this category took the opportunity to suggest that the real issue is government spending or the focus is misdirected from the real issues such as healthcare or pensions
- 2.50% APP – Application of the tax
- 1.50% BAL – Consumer vs. Business tax
- 1.50% FED – Federal vs. provincial control of HST
- 1% DIS – Regional/Other considerations/disparities
- 1% REB – Rebates



## Final Analysis

The level of public engagement in the HST Information Office of British Columbia's telephone townhalls was extremely high. In addition to the number of British Columbians who actually took part in the townhalls, the number of people who asked questions as well as those who left recorded comments far exceeded typical levels of participation in telephone townhalls directed to the general public.

While a small part of the explanation for the high level of participation could be the novelty of the telephone townhall medium itself, it is apparent that the public's desire for more detailed information about the HST was the primary driver.