

## Foreword

In many ways, the 1990s qualify as a “lost decade” for the British Columbia economy. As documented in this important and timely new study from The Fraser Institute, since the early 1990s the province has fared poorly on most measures of economic success. BC has been a laggard within Canada when it comes to increasing not just gross domestic product per capita, but also disposable incomes, business investment, and productivity. From 1992 to 2000, it posted virtually no gains in real GDP per person, ranking last in the country on this basic indicator of prosperity. Even more telling, by 1999 British Columbia had slipped below the national average in real after-tax income per person. On this score, BC has descended, even if only temporarily, to the status of a “have-not” province.

Facts are one thing, but how do we account for this disturbing trend? Broadly speaking, two sorts of explanations for BC’s sub-par economy have been offered by analysts, commentators, and politicians. The first points to external forces and how they have long shaped the province’s economic fortunes. According to this view, feeble growth in per capita output and income in BC can be traced to the Asian crisis of 1997-98, high Canadian interest rates earlier in the decade, the protracted economic slump in Japan, shifts in global commodity markets, and constraints on access to the American market under the managed trade scheme enshrined in the Canada-US Softwood Lumber Agreement.

Explanations of the second type put the analytical spotlight on internal factors. This perspective, which is reflected in the current study, links British Columbia’s economic decline to the actions and policies of the NDP government that took office in late 1991 and then won a second electoral mandate in 1996. Of course, in reality, external

and internal forces both weigh on the economy. However, since British Columbians cannot influence what happens in the outside world, it makes sense to direct attention to the domestic policy and institutional environment.

The main policy directions charted by the BC government in the decade from 1991 to 2000 may be summarized as follows:

- A bias toward interventionist approaches to economic management. This was achieved using not only the familiar instruments of taxation and regulation, but also through bail-outs of troubled businesses, the creation of new government entities such as Forest Renewal BC, the Jobs for Power Act, egregious political manipulation of large-scale capital projects (e.g., Skytrain and “Fast Ferries”), and the largely unfettered control exercised by the BC government over both Crown Corporations and the public sector quasi-monopolies that have become entrenched in the fields of education, social services, and health care.
- The emergence of an ever-growing number of restrictions on the ability of companies and individuals to make use of private and public lands and natural resources for economic and industrial development (i.e., wealth- and job-creation) purposes.
- The creation of a labour and employment law regime designed to promote the interests and bolster the economic and legal powers of trade unions.
- Adoption of sharply higher timber-harvesting levies (stumpage), and the implementation of a plethora of cumbersome and costly new regulations on the forest industry—still BC’s biggest economic engine and

the source of more than half of its exports and manufacturing shipments.

- A marked reluctance by BC policy-makers to match the tax cuts instituted in Alberta and Ontario, or to follow other provinces (or indeed the federal government) in paring back the size of the public sector.

Of particular significance has been the expanding presence of government in the BC economy. There has been a divergence across Canada in the growth and intrusiveness of what might be called the “provincial state.” Over the past 10 to 15 years, several other provinces chose to sell off some of their state-owned enterprises and other public assets; BC has shown little initiative on this front—indeed, Crown Corporations arguably play a larger role in the economy today than they did 10 or 12 years ago. Other provinces have taken steps to introduce more competition into areas previously dominated by heavily regulated and/or government-owned monopolies; BC has resisted pressure to move in this direction. Finally, in British Columbia, real provincial government spending has surged almost 30 percent since 1991, compared to increases of less than 7 percent for Ontario and for all provinces collectively, and a small decline in next-door Alberta. A longer-term perspective confirms the above picture. Expenditures by the provincial public sector rose by the equivalent of six percentage points of GDP in BC between 1975 and 2000. In contrast, neither Alberta nor Ontario recorded any meaningful increase in the size of their provincial public sectors over this 25-year period. Not

coincidentally, the economic performance gap between BC and these other two “have” provinces has widened over time.

The authors of *Returning British Columbia to Prosperity* believe that British Columbia has been punching well below its economic weight—a sentiment widely shared across the province—and that it can do better. To that end, they propose a series of policy and institutional changes intended to marshal British Columbia’s impressive natural and human assets in the quest for enhanced prosperity. These recommendations touch on fiscal and taxation policy, labour matters, regulatory reform, natural resource development, land use, the manner in which public services are provided, state-owned enterprises, and the management of the provincially-regulated education, health care, and social service systems.

Not all readers will agree with all of the individual recommendations put forward in this study, but they will profit by reviewing it closely and with an open mind. The overall thrust of the analyses and prescriptions outlined here will appeal to those who, like this writer, believe that an overweening state and a failure to understand the unrivalled wealth-creating power of markets have contributed to the economic malaise that has befallen British Columbia in recent years.

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## Executive Summary

### Economic Performance

Over the last decade, British Columbia's economic performance stands in sharp contrast to its historical performance. Given the province's natural resources, access to foreign markets, educated workforce, and traditional level of economic performance, the last decade has been disastrous and unacceptable for British Columbians.

### Income Performance

British Columbia began the decade with real per capita GDP \$367 greater than the national average, and ended the decade \$3,471 lower. While Ontario and Alberta experienced tremendous growth in real per capita GDP, 16.7 percent and 26.7 percent respectively, British Columbia languished with a mere 2.1 percent increase in real per capita GDP over the 1990s. In fact, the average annual growth rate in real per capita GDP in British Columbia of 0.1 percent over the last decade stands in sharp contrast to the 1.2 percent and 2.2 percent experienced in Ontario and Alberta, respectively.

British Columbia's performance is even worse when disposable income is assessed. The province began the decade with real per capita disposable income \$743 above the national average, within close range of both Ontario and Alberta. It ended the decade with real per capita disposable income \$768 below the national average, substantially below Ontario's and Alberta's levels. In fact, while Ontario and Alberta experienced moderate growth in real per capita disposable income of 1.0 percent and 3.8 percent respectively, over the decade, BC actually experienced a contraction of 5.9 percent. In other words, average British Columbians had less real disposable income in 2000 than they did in 1990.

In terms of per capita income, whether measured by GDP or disposable income, British Columbia, over the course of a mere decade, has gone from a position of economic leadership and prosperity in Canada to a position of mediocrity.

### Employment: A Bright Spot?

#### *Employment Growth*

Given British Columbia's poor economic performance, its ability to increase employment and maintain reasonably competitive unemployment rates is quite surprising. Between 1975 and 2000, total employment growth in British Columbia (96.3 percent) exceeded employment growth in Ontario (64.2 percent) and Canada as a whole (61.0 percent) and trailed Alberta (102.2 percent) only slightly.

Equally surprisingly, given British Columbia's poor income performance over the 1990s, is its strong employment growth over the 1990s. Between 1990 and 2000, British Columbia achieved employment growth of 25.6 percent, outperforming Canada as a whole, Ontario, and Alberta, which achieved growth of 14.2 percent, 13.1 percent, and 24.6 percent respectively. It is not surprising that British Columbia's unemployment rate has been competitive, given its employment performance. Unfortunately, the employment picture is not as positive as it first looks.

#### *Public Sector Employment: Part of the Story*

One explanation for the province's strong employment performance is its population growth. An increasing population helps employment by creating an increased demand for a wide range of goods and services. Both immigration and Cana-

dian migration to British Columbia clearly helped the province post positive employment gains during the 1990s.

An equally potent explanation for the province's strong employment performance is the expansion in its public sector over the period. British Columbia, unlike Ontario and Alberta, has increased the number of public sector employees in the province. Since 1983, the number of public sector employees in BC has increased 22.2 percent, from 283,000 in 1983 to 345,000 in 2000. More strikingly, between 1990 and 2000, British Columbia expanded the public sector by 8.2 percent while Ontario and Alberta reduced their public sectors by 11.8 percent and 14.2 percent respectively. It is highly likely that both the absolute number of public sector employees as well as the percentage of total employment represented by the public sector will need to be curtailed in the future as part of a rationalization of government spending.

## **Business Investment**

Business investment in BC is facing a serious crisis. Over the last four years, the province has been rated consistently as having the worst investment climate in the country. In a recent survey of money managers, British Columbia received the highest negative ratings for maintaining the appropriate mix of public policies required to foster investment.

This lack of business confidence has translated into dismal levels of business investment. Real net fixed business investment (that is, investment in fixed assets beyond simply replacing worn out and depreciated assets) has continued to fall in British Columbia after the last Canadian recession. It fell by negative 13.3 percent between 1991 and 1999. Canada as a whole achieved a rate of 46.7 percent while Alberta experienced a business investment boom, recording growth of 800.7 percent.

Equally telling, between 1991 and 1999, British Columbia experienced an average contraction in net fixed business investment of 1.4 percent. This means that the average growth in real net fixed business investment in British Columbia failed to keep pace with the depreciation of previous investments. This occurred while Ontario experienced an average net increase of 7.2 percent, Alberta a whopping 75.7 percent, and Canada as a whole 6.0 percent.

The lack of business investment and the contraction in the stock of fixed business assets will continue to act as a drag on BC's economy, even with a rebound in capital investment, since it will take time for these new investments to be completed and available. A stagnant or depleting stock of assets will constrain productivity growth and ultimately hamper increases in individual and family income.

## **Red Herrings**

Two of the common explanations for British Columbia's poor performance, namely, the Asian currency crisis (commonly referred to as the "Asian Flu") and the decline in commodity prices, cannot fully explain the decline in British Columbia's economic performance. The Asian currency crisis, which began in 1997, cannot explain a structural decline in economic performance that started in 1990/91. The deterioration in Asian countries made an already bad situation worse. Similarly, the decline in commodity prices over the decade cannot fully explain the economic difficulties facing the province since commodity price increases did not result in improved economic performance. The underlying cause of the economic malaise currently facing British Columbia is poor public policy.

## Government Spending and Taxes: The Root of the Problems

The root of the economic problems in British Columbia is poor public policy founded on a belief in the efficacy of a more activist and interventionist government. Over the last decade, real per capita government expenditures in British Columbia have increased 7.5 percent, compared to declining expenditures of 0.6 percent in Ontario and 19.7 percent in Alberta. Government spending as a percent of GDP increased by 13.3 percent in British Columbia over the 1990s while it decreased 2.8 percent and 27.0 percent in Ontario and Alberta, respectively.

Government spending ultimately drives government taxation and revenue collection. Provincial government revenue now consumes 20.2 percent of GDP in British Columbia but only 16.4 percent in Ontario and 17.3 percent in Alberta. British Columbia has used deferred taxes or debt throughout the decade to finance much of the expansion in government. In other words, rather than fully financing the expansion in government spending with current taxes, the provincial government chose to borrow or defer taxes, thus putting the burden of today's spending on tomorrow's taxpayers. British Columbia has seen its debt position relative to the other provinces deteriorate and the cost of debt servicing increase over the last decade.

The road to recovery requires a smaller, more focused government. It requires the provincial government to limit itself to doing those, and only those things, we actually need it to do.

## General Policy Recommendations

The main prescription for economic recovery in British Columbia is for government to reduce spending and lower taxes. This will mean reductions in core areas of government spending, in-

cluding health care, education, and social welfare. However, as the specific policy sections in the main body of the report demonstrate, by reforming the *way* services are delivered, using methods that have already been tested in other jurisdictions, services can be maintained and indeed improved, while spending is cut. The reduction in government spending must be paired with major reductions in personal and business taxes. The reductions should aim to make the province's tax system more efficient and competitive with competing jurisdictions. Finally, the province should privatize Crown Corporations, with the proceeds earmarked for provincial debt reduction, which in turn would allow for greater tax relief.

The rest of this summary outlines the key policy recommendations from each of this study's eight policy sections.

## (I) Fiscal Policy: Government Spending and Taxation

### *Government Spending*

- Decrease the percentage of the economy accounted for by government

British Columbia must implement fiscal policies that reduce the proportion of the economy consumed by government, in order to move the province towards the optimal level of government—a level which maximizes social and economic progress while minimizing economic distortions.

- Reduce the public service and allow the private sector to provide more services

Unlike other provinces, particularly Ontario and Alberta, British Columbia's public service has not been curtailed. Through privatization and a greater reliance on the private

sector for the delivery of goods and services, the civil service must be reduced, both in absolute numbers and as a percent of total employment.

- Introduce strong tax and expenditure limitation laws

Strong tax and expenditure limitation laws (referred to as TELs) have proven successful in stemming the growth of government and ensuring fiscal responsibility in the United States. TELs effectively constrain a government from increasing either taxes or spending without popular approval. For instance, expenditure limitation laws require any spending increase in excess of inflation and population growth to be specifically approved by referendum.

### *Taxation*

- Introduce a *minimum* 20 percent across-the-board reduction in personal income tax-rates
- Eliminate the top two statutory tax rates, formerly the high-income surtaxes
- Reduce business income tax rates with a target rate for corporations of 8.00 percent
- Immediately eliminate capital taxes
- Harmonize the Provincial Sales Tax with the GST

There are serious problems in the current provincial sales tax, chief of which is that business inputs are taxed. Harmonizing the provincial sales tax with the federal GST and collecting it as a value-added tax would eliminate this problem.

- Over the longer-term, the province should implement a broad-based flat tax

A flat tax should fully integrate personal and business taxes and ensure that all sources of income are taxed uniformly at one rate, one time. A flat tax would move the tax system away from the taxation of income towards a system based on consumption, which is inherently more efficient. Such a system would encourage economic growth and achieve the basic tenets of prudent tax policy (efficiency, simplicity, and equity). A flat tax could be implemented in British Columbia on a revenue neutral basis, so it could be implemented without jeopardizing the current amount of revenue raised, yet stimulate and encourage entrepreneurship, risk-taking, investment, and diligence.

### *Debt*

- Implement a legislated program of debt reduction

British Columbia should legislatively require any unused portion of the contingency fund to be applied each year to the province's debt. In addition, all unexpected surpluses, whether garnered from higher than expected revenues, lower than expected interest costs, or lower than expected expenditures, should be exclusively restricted to reducing the province's debt.

### **(2) Regulation**

- Implement a three-year moratorium on all new regulations in conjunction with a review of existing regulations
- Apply cost/benefit tests, with results made public

British Columbia should require a reliable and comprehensive cost/benefit analysis of proposed regulations before they are enacted. The results should be made public.

- Prioritize regulations

Since not all risks are of equal magnitude, regulatory bodies in BC should be required to prioritize all regulations. Emphasis and priority should be placed on regulations that address the most serious risks.

- Redirect government focus to results

New regulations should focus on achieving specific and measurable goals.

- Introduce a regulatory budget along with the annual fiscal budget

The government should submit annually, along with the normal budget, a comprehensive, detailed budget delineating the costs of regulation, including costs for both government and those affected by regulations, i.e. businesses and individuals.

- Enact a sunset clause for all regulations

Regulatory bodies should include a sunset clause in all new regulations to ensure that they are reviewed regularly and eliminated when no longer relevant.

### **(3) Labour Market**

- Repeal amendments made to the Industrial Relations Act, the Employment Standards Act, and the Fair Wage Act over the last decade

There is mounting evidence that the amendments made to the first two pieces of legislation have led to a dramatic deterioration in labour-management relations in BC and contributed to a negative business climate. Furthermore, the amendments have increased the cost of doing business in the province by increasing the cost of labour. A return to

market-determined compensation and greater flexibility must underlie labour market reform.

- Rescind announced increases to the minimum wage and ensure that minimum wages maintain an appropriate relationship with per capita GDP, assuming they remain at all

Minimum-wage laws have a detrimental effect on employment, particularly for young and unskilled workers. Governments need to stop interfering in the process of real wage determination in response to changes in labour supply and demand. Assuming that minimum wages continue to be a fact of life, they should be set at an appropriate level relative to per capita GDP—a proxy for per capita productivity.

- Enact right-to-work legislation

British Columbia should enact right-to-work legislation, which precludes closed-shop unions and makes union membership voluntary. As a result, workers would no longer be forced to join unions and would be given more flexibility to negotiate contracts with employers based on their own particular economic and personal circumstances. Unions, in turn, would be forced to become more responsive to the interests of their members, who have chosen to join.

### **(4) Natural Resources—Forestry Focus**

- Create a pro-development natural resource investment and business climate

British Columbia must make a real effort to reverse the current negative business climate and create an environment conducive to investment. In the natural resource sector, part of this effort should include streamlining

regulations with an emphasis on intended results rather than mandated processes.

- Privatize forests that are currently owned and managed by the Crown

One of the biggest problems with state ownership of forests is that neither government nor private companies logging on Crown lands have any incentive to operate efficiently, to replant, or to harvest prudently. Government has little incentive to replant since the main beneficiary of this initiative will be some other government in power later on when the trees mature. Since private companies harvest on land that they themselves do not own, they see no direct benefit or economic incentive to invest in costly long-term “forest enhancement.” Both see the short-term benefits of harvesting, but not the long-term value of replanting and forest enhancement programs. The presence of possible native land claims, although an immediate barrier to privatization, does not negate the long-term efficacy of privatization.

- Repeal the Forest Practices Code and the Forest Renewal Act

Both acts have more to do with increasing the regulatory burden on the forest industry than enhancing the environment. A results- and performance-based forest code that establishes key performance targets and objectives and provides business operators flexibility to meet the targets in the most efficient manner should be enacted to replace the Forest Practices Code.

- Eliminate the minimum stumpage fee and link stumpage fees to world prices for timber.

Since coming to power in 1991, the NDP government has increased stumpage fees by nearly 200 percent. These payments are now

part of the cost of production for forestry companies. As a result, British Columbia forest companies have become costly producers of lumber and other forest products, a situation that has led to lower levels of output and reduced employment. Given that world lumber prices fluctuate constantly, the provincial government should put in place a mechanism for linking stumpage fees to the price of lumber in order to allow companies to remain profitable and viable well into the future. Note that as this study went to print, the provincial government indicated that they were going to move towards a market-determined stumpage fee process (Hamilton, 2001).

- Eliminate the British Columbia Environmental Assessment Act

British Columbia’s Environmental Assessment Act is a cumbersome and time-consuming process that leads to allocation inefficiencies. The government should repeal this act and rely on common-law remedies to ensure environmental protection. Its one-size-fits-all process of assessing the environmental impact of projects around the province fails to take into account each project’s uniqueness and the possible negative externalities arising from each.

- Subject the setting aside of Crown land for parks and heritage sites to cost/benefit analyses.
- Co-ordinate land claim settlements with forest privatization

## (5) Health Policy

This section is broken into two separate parts: intermediate policies and long-term policies. The delineation is a result of the Canada Health Act. As long as the federal government prevents provinces from enacting broad-based

institutional reform, many of the most necessary and productive reforms cannot begin.

### ***Intermediate Health Policy Recommendations***

- Use private health contractors, both non-profit and for-profit, to deliver health services more efficiently

If private contractors are allowed to provide health services, it will clearly improve the health care sector's incentive structure. Additionally, it will provide greater accessibility to health care by increasing the sector's productive capacity. Perhaps most importantly, private contractors could provide health services at reduced costs with no adverse effects.

- Negotiate a renewed Labour Accord

British Columbia should immediately move to implement market wages for all medical and non-medical hospital staff.

- Eliminate reference-based pricing

Evidence shows that restrictive drug programs can have adverse effects on patient health and create unanticipated incentives, which may actually drive *up* net costs.

### ***Longer-Term Health Policy Recommendations***

- Adopt a system of medical savings accounts

Under a system of medical savings accounts (MSAs) the province would channel health care spending through individuals rather than service providers. Each individual's MSA would be divided into two parts: one to pay for regular expenses, such as routine doctors' visits and prescription drugs, and the second to fund a catastrophic insurance plan.

Any surplus in the fixed annual amount could be carried forward or applied to an RRSP, but individuals would be required to make up any deficit from personal funds. The government-funded catastrophic illness plan would ensure that no individual would be left bankrupt as a result of a major illness.

- Allow and encourage the privatization of health care service delivery

British Columbia should acknowledge and promote private alternatives to the public provision of health care. Health care service provision should be privatized over a pre-determined period so that a pricing system could be introduced that would improve health care resource allocation, and improve service delivery by creating and promoting patient-caregiver accountability.

## **(6) Education—Elementary and Secondary**

### ***Intermediate Policy Recommendations for Education***

- Eliminate funding discrimination for independent schools

The discriminatory funding structure for independent schools in British Columbia not only affects the nearly 60,000 students enrolled in them, but also impedes the development of and access to independent schools for potential students. The funding structure should be adjusted immediately to eliminate provincial discrimination.

- Introduce flexible regulations for independent schools

The province should immediately overhaul regulations governing both existing and new independent schools to give them greater

flexibility and the opportunity to experiment within the education system.

- Eliminate catchment areas

Allowing parents to transfer their children to different schools within the current public system would introduce an important element of competition within the public system and at least partially re-direct education incentives back towards the delivery of education for students.

- Enact strong charter school legislation

British Columbia should move to introduce strong charter school legislation based on experience from international models that have successfully encouraged the creation and maintenance of charter schools.

- Direct the focus of the Ministry of Education on communications

With greater parental choice will come a greater need for the Ministry to provide information to parents. The Ministry should develop a system for collecting information about all education providers, and giving it to parents, citizens, and the media.

- Continue to focus on delivering resources to the classroom

British Columbia needs to be vigilant about rationalizing administrative functions to ensure that as many resources as possible flow through to the classroom. Although the situation has improved in recent years, more administrative functions need to be streamlined, outsourced, or contracted out.

- Give students more learning opportunities by permitting non-certified teachers to teach

their area of expertise to classes on a part-time or instructional basis.

- Re-negotiate collective agreements so that they reflect market-based compensation and maximize classroom resources.

Education remuneration, particularly for non-teachers, should be market-tested, given British Columbia's already skewed focus on non-educator expenditures. That is, non-teacher compensation should be compared to similar positions in the general labour market in order to calculate compensation levels. Any savings from adjustments to compensation levels should be re-directed to the classroom.

- Foster a private voucher system to augment the current public system

British Columbia should encourage charities, foundations, business organizations, and those interested in education to develop private initiatives, such as private vouchers. Specifically, a private voucher system could be established to provide low and middle-income families with additional educational resources to cover tuition not covered by the limited public voucher program and incidental expenses such as uniforms and textbooks.

### *Long-Term Policy Recommendations for Education*

- Implement a broad public voucher system for education

Provincial education reform ultimately rests in the creation of a broad-based public voucher system in which parents, rather than schools, would receive education resources.

## (7) Welfare Policy

- Introduce strong sanctions and immediate work requirements

British Columbia should immediately institute work requirements for eligible welfare recipients, coupled with strong financial penalties for non-compliance. Those willing, but currently unable to enter the workforce should be helped to do so.

- Implement time limits for the receipt of benefits

A specific time limit, similar to the ones introduced in the US reform initiative of 1996, should be included as part of a broad-based reform of welfare in British Columbia. Specifically, individuals should be precluded from receiving welfare benefits for more than two years in any given five-year period. A flexible cap on the receipt of public assistance would reduce the number of people who rationally choose welfare over work. People with disabilities that prevent them from working should be excluded from such restrictions.

- Adopt a diversion strategy prior to providing welfare

Implement a program that helps divert potential recipients away from welfare by focusing on familial sources of support, charitable organizations, lump-sum payment programs, and/or employment opportunities.

- Introduce full-check sanctions

Tougher sanctions against welfare abusers, including the reduction and/or elimination of benefits, should be introduced along with other reforms.

- Monitor the relationship between total welfare benefits and the amount of after-tax income a recipient could earn in the labour market
- Adopt a comprehensive measure of welfare benefits

All cash and in-kind benefits and tax credits available to welfare recipients should be considered when the resources available to a welfare recipient are compared to what that person could reasonably expect to earn in the labour force.

- Promote and encourage experimentation

Every province, including British Columbia, should pursue initiatives proven to be successful in the United States. British Columbia must aim to deal quickly, precisely, and compassionately with welfare recipients and their problems.

- Continue to reduce administrative costs
- Adopt a basic needs definition of poverty

## (8) Industrial Development and Privatization

- Purposefully move away from activist and interventionist industrial policies towards a market-based approach to economic development
- End all direct and indirect subsidies to business
- Immediately designate several Crown corporations as candidates for privatization

Given the international and Canadian experience with privatization, several BC Crown corporations could be immediately designated for privatization. They include BC Hydro and Power Authority, BC Ferry Cor-

poration, BC Liquor Distribution Branches, Insurance Corporation of BC, and BC Railway Corporation.

- Review all remaining Crown corporations

The government should immediately undertake a thorough, unbiased review of all remaining Crown corporations with a clear mandate to rationalize. Crown corporations that operate in sectors where private firms already deliver similar goods and services should be immediately identi-

fied for privatization. The operations of Crown corporations not so designated should be thoroughly reviewed to determine the feasibility of contracting out the services they now offer.

- Legislatively require all proceeds from asset sales to be used exclusively for debt reduction

Specific legislation needs to be enacted to ensure that one-time asset sales are not used to help balance the government's accounts or undertake new spending initiatives.

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