

David Schreck and Mike Geoghegan join Joe Easingwood – CFX – *The Capital Gang* – 8:23 AM February 5, 2009

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- **B.C.'s stimulus package**
- **Pay cuts for B.C. politicians**
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Joe Easingwood: David, you came out swinging on your piece yesterday. In fact it's been so popular, it's been copied elsewhere. I'll let you talk about that in a moment.

To lead off, it says: "Premier Campbell will have you believe that he is taking a bold step to stimulate the economy, accelerating \$2 billion in capital spending over the next three years. Keep in mind that B.C.'s GDP is \$200 billion. So over three years \$2 billion represents .3 per cent of GDP."

I'll let you pick it up from there.

David Schreck: The stimulus package that Gordon Campbell announced this week amounts to one third of 1 per cent of GDP. Anybody who's read the newspaper lately knows that internationally the call is for 2 per cent of GDP to be the stimulus.

Easingwood: Yeah.

Schreck: Now, we will have some federal stimulus on top of that.

But it's just important to keep in mind that while \$2 billion is certainly a lot of money, we have none of the details of what that is going to be spent on. Those will come out probably about once a day as campaign announcements. I think this has much more to do with an election than it does with stimulating the economy.

Easingwood: Right. Yeah.

Schreck: But at the same time that the Premier said that, he said us poor cabinet ministers will have to suffer a 10-per cent pay cut because we are going to run a deficit and that's what the law requires.

Some columnists — one of my favourites is Mike Smyth; I always read Mike. Mike bought the Premier's line hook, line, and sinker, and repeated the 10-per cent claim.

Easingwood: Yeah, it was on the front page.

Schreck: That's right. And the truth is that the pay cut applies to the ministerial bonuses not to the base pay of \$100,000. So a cabinet minister makes \$100,000 base pay plus a 50-per cent bonus for being a cabinet minister. The claw-back if they run a deficit is 10 per cent of the bonus. So it's not 10 per cent off pay; it's 3.5 per cent off pay.

Oh, and by the way, the cabinet ministers got a 29-per cent pay increase in April of 2007. The Premier.... Well, the Premier gets a slightly bigger hit because his bonus is 90 per cent of base pay. So he gets a hit of about just under 5 per cent. But he got a 54-per cent pay increase in 2007.

So I'll tell you what, Joe: would you be willing to take a 5 per cent pay cut if we gave you a 54-per cent pay increase first? I don't understand why these....

And Mike Smyth, to his credit — he didn't credit me, but he did at least repeat the line. The headline on his column in today's *Vancouver Province* is: "oops, that pay cut is anything like the Premier claimed."

Easingwood: No, of course not. Why should we expect anything else from that...?

Geoghegan: Well, first of all...

Schreck: You just can't believe what these guys say.

Easingwood: I know.

Geoghegan: First of all in terms of spending announcements, we've had a number of specifics. For example, just yesterday the Premier announced there was going to be a ten-lane Port Mann Bridge constructed. You know, this is a very smart strategy. I mean, it's fortuitous in terms of the election timing; let's not kid ourselves. But it's also very fortuitous because the time you want government to be spending money on infrastructure, it's during an economic downturn because first of all you're helping to ensure that those construction jobs continue.

That's vitally important in this province, Joe, because we're in the middle of trying to train more people to come into the construction industry. So by governments stepping up to the plate with these infrastructure projects, we're ensuring that those people stay hired, continue to train, so when the next boom comes along, we're not sitting there with not enough trained construction workers.

The other point is that the taxpayers get more bang for their buck because when you're constructing infrastructure in a bubble market, contractors — they're already full. They'll throw out a number that's really high, thinking, well, I don't really want that job, and then they say, oh god, we won the bid. Whereas now they're sharpening their pencils, how can we trim costs, how can we be more competitive. Land costs are starting to come down again.

But, you know, the other thing I want to emphasize, though: this is sort of jumping to the affordable housing issue. Unless or until local government is willing to be less restrictive in terms of land zoning, in terms of land use, etc., we are going to continue to pay sky-high prices for housing, for commercial and industrial properties.

Easingwood: The other thing on the bridge, before we leave that. It's rather interesting when the Pattullo Bridge was in trouble, part of it burned down, and they got it going again within a week — to build a new one was going to take ten years. This ten-lane bridge he announced yesterday: wow, it's only going to take four. What kind of jiggy-pokery is that?

Schreck: Four or five years, Joe. It's 2013 or 2014 that it will open.

Mike is right that we need to construct public sector construction to help stimulate the economy. The question is: are we really going to get it? How much money is going to be spent in 2009?

The point of my article is this is all smoke and mirrors. They're announcing stuff they had already planned. They are not making significant acceleration, and we're going to have minimal if any impact on getting us out of this recession because of it.

[Break]

Easingwood: If you want to join the *Capital Gang* here, pick up a phone.

We were talking about fiscal things across the country before the break. You might have heard the first item in the newscast at 8:30 this morning: Parliament's budget watchdog is questioning some of the assumptions and projections contained in last week's fiscal plan from the Tory government.

As Canadian Press reporter Keith Leslie explained, the government may have been too optimistic in its views on the recession.

Keith Leslie: Parliamentary budget officer Kevin Paige says the recession will be deeper than forecast in the budget, which had assumed the downturn would be milder than the previous two slumps in the early 1980s and 1990s. Paige told the Commons finance committee that the current recession may already be more severe than the previous two. He said Finance Minister Jim Flaherty likely did not factor in enough downside risk in predicting Canada would be out of a recession in four years.

Easingwood: Paige also says the government's nearly \$40-billion stimulus package over two years is actually about 20 per cent smaller at \$31.8 billion.

Schreck: Exactly the same thing applies to the U.S. stimulus package, and exactly the same thing applies to the rhetoric coming from Gordon Campbell. The public is being conned. The line here is for governments to try to make it look to their citizens as if they are doing something because we are in trouble and things are going to get a lot worse before they get better.

Tomorrow the unemployment numbers come out, and they are not going to be good. You can bet that B.C. will have lost 5,000 to 10,000 construction jobs alone when we see tomorrow's numbers.

Governments want to make it look like they're doing something, but governments really aren't doing very much. The more cynical governments are saying, well, the economy will turn around on its own anyway; if we just make it look like we're doing something, then we can take credit when it finally turns.

But I think they're wrong. I think this recession could last a lot longer than they think, and that stimulus is going to be necessary, and it better be effective. There, we will be betrayed and failed is I don't think they're going to do enough soon enough, and that will lengthen the recession.

Geoghegan: It is a real challenge out there, and you've heard the expression "shovel-ready projects." But perhaps the more accurate term is "pipe wrench-ready projects" — you know, storm drain systems, sewer systems. There was an article in the Times Colonist last week about how some of the storm water systems in Saanich date from 100 years ago and were made out of

wood and they've rotted away. So basically you've got these holes in the ground that are just dirt-lined.

Clearly there's a huge amount of infrastructure that needs to be replaced. There's a huge amount of infrastructure that needs to be upgraded. There's, of course, sewage treatment for Victoria, which heretofore they were quite content to try and let 13 municipalities squabble about who's going to pick up the billions of dollars in costs. Obviously the feds and the province have to step up to the plate. In terms of these infrastructure projects, quite frankly the weakness that these different municipalities have in terms of keeping up in terms of infrastructure reflect the fact that you have all these little Barney Fiefdoms, right? You have all these little tiny municipalities governing the population of Burnaby. That's what greater Victoria is; it's equivalent to the population of Burnaby. It would be nice if you had the province step in and sort of end the madness and say, hey, we're going to have three municipal governments instead of 11, 12 or 13.

But we also need to have municipal governments that recognize, as Langford has, that if you say yes to development you can get significant infrastructure improvements, you can do things about affordable housing like telling developers a certain number of projects have to be set aside for actually below-market housing for the working poor and the working middle class, whereas you've got all these other municipalities that say no. Oh, we'd like to go to urban density and taller buildings. No. Well, we'd like to expand our industrial operation where we manufacture sheet metal products. No. Well, we'd like to do a housing development for affordable housing. No. It's just like they say no, no, no, and then they turn around and wonder why they don't have the tax base to put down sidewalks or repair sewer lines and water lines. It's because they keep saying no.

Schreck: Well, to get back to the news of the day, Gordon Campbell announced the acceleration of \$2 billion in capital spending. Can you identify one single dollar that's going to be spent on Vancouver Island out of that \$2?

Easingwood: You can go over it with a magnifying glass and not find it.

Schreck: That's right. That's because it is smoke and mirrors. It's pre-election stuff. You might want to invest in a company that sells ribbons to be cut, because you'll see a lot of that, but you won't see much by way of detail.

Geoghegan: They are trying to roll out some detail. They've rolled out detail on the Port Mann Bridge announcement.

The other thing is that in dealing with....

Schreck: [Inaudible].

Geoghegan: David, they're dealing with two other levels of government. You've got the federal government, you've got the province and you've got the municipalities, and the municipalities, particularly on Vancouver Island, have stepped up to the plate in terms of their wish list.

Schreck: You know the thing about the Port Mann. The Port Mann is just like the convention centre. The convention centre they announced at one price and it came in at twice the price. In the case of the Port Mann, they haven't gotten one shovel in the ground yet and the cost estimate has already more than doubled. You can bet by the time that thing's done it'll probably be closer to \$4 of \$5 billion, none of which is going to help in terms of the current recession because they're looking at a 2014 completion date.

Geoghegan: The thing is we have criticism at every turn of the government for what it is doing, but the fact is that it is doing a lot. Even the Olympic cost overruns, I say thank God that we have the Olympics coming. Those are projects, those are construction jobs that are happening right now. The convention centre....

Schreck: You have to criticize these guys because you can't believe what they say, and you have to hold their feet to the fire.

Geoghegan: First of all, no one predicted.... When China and India's economies took off, no one predicted that the cost of steel was going to go through the roof. No one predicted that the cost of concrete was going to go through the roof. Now, the one mistake the Campbell government made early in its term was it listened to Phil Hochstein of ICBA and gutted ITAC. But then the government learned its lesson and recreated it in a slightly different form under the Industry Training Authority. So it was exactly the wrong move at the wrong time because they got bad advice from Phil Hochstein.

Schreck: Congratulations, Mike. I'm glad to hear you say that Campbell screwed up on apprenticeship. [Inaudible].

Geoghegan: No, but hang on. Hang on.

Schreck: Three weeks ago Gordon Campbell was saying he would have a balanced budget. He was the last one in the province to believe that myth. He's finally come clean and said: no, it's impossible.

Geoghegan: This is why it's so unfair, because the fact is that they could have had a balanced budget. They were undertaking cost-cutting exercises, and then they realized, look, we're going to start cutting...we're really going to start impacting programs on health care and education and social services. And like every other government since I've lived in Victoria, and I've lived here since 1985, every year every government, be it Socred, NDP or Liberal, has increased funding for health care. They've increased funding for education. They've never had cuts, right? And the fact is that they were saying, look, we're facing...we could face real cuts at a time where our population is aging, etc. We don't want to do that. So what we're going to do is recognizing that the severity of this recession is much deeper than anyone would have predicted six months ago. We're going to run a deficit. That is a good thing. That is a responsible thing.

Schreck: It's good that Gordon Campbell came late to the party, even though he was the last one in the province to come.

Geoghegan: That's right.

Easingwood: Kicking and screaming.

[Caller mentions President Obama, caps on CEO salaries, other U.S. government issues, Jack Layton and federal NDP policy].

Geoghegan: I just want to bring up this point. You know, Jack Layton is strangely silent on that issue, and I think that's because federally the NDP have been advocating protectionist measures for Canada, which is absolute economic suicide. I mean, the fastest way to turn a worldwide recession into another Great Depression is for everybody to start throwing up trade barriers. So, you know, this instinct to, like, "Oh, hey, we'll help out our local guys by throwing up trade barriers...." They don't realize that, you know, that's how the Great Depression occurred.

Caller Ron: Gordon Campbell gives new meaning to the term "shovel-ready projects." God, I've got my shovel out every time I hear him. I mean, these massive overruns, for example. Mike says, you know, they're good.... Half a billion for the convention centre, half a billion or more for security costs. They couldn't even calculate that when the last Winter Olympics cost three-quarters of a billion American dollars. At least a third of billion dollars for the Sea to Sky Highway and the Canada line. They couldn't calculate the Vancouver Olympic Village overrun. I mean, these are massive overruns by people who claim to be good managers.

What about our criminal justice system? If you're poor, you can't get access to the system. If you're knowledgeable about the Campbell government dealings with the B.C. Rail sale, you'll be in court for at least six to seven years. They're ethically challenged.

Schreck: Wally Oppal is sitting on a report on the failure of our courts to give adequate sentences to criminals, and he's refusing to release it to the public.

Geoghegan: You know, I want to get into the issue of our criminal justice system anyway, and our criminal justice system has failed. You know, when you see these reports, "Oh, people are losing confidence in our justice system...." People have lost confidence in our justice system, because we have a justice system that.... You know, justice delayed is justice denied. It's right there in the Charter, actually.

Schreck: And Wally Oppal's an apologist for it, and he's not coming clean with the public.

Easingwood: No, he sure isn't.

Geoghegan: You know, the thing is.... We have police where they seem unwilling or unable to take on the gang-bangers, people who are busy killing each other in the streets, both in here Victoria and in Vancouver.

Schreck: And they don't care if they shoot an innocent passer-by while they're doing it.

Geoghegan: There was one idea thrown out there. Well, you know, gangsters are now wearing Kevlar. Maybe we should ban people's ability to wear Kevlar. Oh, that's just brilliant, because.... I don't know, Joe, but neither of us are wearing Kevlar. Again, it's like, well, if we prohibit it, somehow that'll make the problem go away. Like in metro Vancouver they got rid of all the gun ranges — right? Gee, that really worked well in terms of reducing the shootings. Oh, wait, they went up!

Schreck: What's disgusting about all these shootings.... I don't think most people care if the gangsters shoot each other. It's just they don't shoot innocent people in the process. The fact is, they might shoot innocent people.

But in most cases these people are out on parole. It's a revolving door with the courts. They've been up on gun offences before, yet they're caught with guns again. Wally Oppal is sitting on a report saying what's wrong with the courts in B.C. that allow this, and Wally Oppal refuses to share that with the public.

Easingwood: Why was Wally Oppal a pretty darned good judge but he's turned out to be a lousy AG?

Schreck: A good question, Joe. Maybe you can get him on and ask him if he's going to release that report before the election, or is he going to continue to apologize for the courts that he was part of all the way through May 12?

Geoghegan: I think the problem is that Wally Oppal, when he became Attorney General, was still acting like Wally Oppal the judge, and that's always been the problem. He was an excellent judge but didn't realize he was taking on a fundamentally different role as Attorney General.

Easingwood: I like the guy, but you know, it's like talking to two different people now that he's got this job.

Geoghegan: Well, and the other thing is that, you know, we keep seeing these stories in the media. I mean, I don't know how representative it is, but in any event, you know, there was an incident, I believe it was in a local jail, where a guy was drunk, handcuffed and the officer.... Oh, the guy grabbed his fingertips, so he felt he was being assaulted, so he had to do a controlled takedown. So the cop trips him, his head smashes into the concrete floor, permanently brain damaged. This is a guy.... He was a university student. He was a father. Now he's permanently disabled. And you're going: don't the cops have better things to do with their time? Maybe take on some of these gangsters — right? I mean, if you want to be a tough guy, prove you're a tough guy. Don't be slamming drunk citizens' heads into concrete walls or Tasering them at the airport.

[Break]

[Federal issues discussed].

Caller Gary: Campbell has just got to get his head out of his butt. I mean, take a 5 percent pay cut or a 3 percent pay cut. Roll back their salaries before that huge gut-wrenching feeding from the trough with the public's money.

Easingwood: He's doing that great job he does so well. He's playing the fool with the people.

Schreck: They should go back to where they were in [inaudible]....

Geoghegan: No. I totally disagree with that. First of all, I was one of the people when they had a review of MLAs' salaries, who strongly advocated there being a significant increase in MLAs' salaries, which benefited both opposition and government MLAs, and both opposition and government MLAs got that.

It's worth remembering that when Dave Barrett way back in the 1970s became Premier, he jacked salaries up significantly because under W.A.C. Bennett they'd...basically Wacky Bennett considered being an MLA a part-time job, which by the 1970s it certainly was not; it was more than a full-time job. Anyway, the point is he jacked his salary up so high, as well as that of MLAs and cabinet ministers, he was at one point being paid more as the Premier of B.C. than the President of the United States was. He was the highest-paid politician in North America.

Easingwood: Barrett doubled his salary.

Caller Gary: He was also one of the hardest-working. But how many times in a sitting does Campbell leave his little Vancouver fortress? He has grown the Premier's office in Vancouver from about eight to 35 or 40.

Easingwood: Oh God, yes.

Geoghegan: Well, there's been a tremendous centralization of power in terms of communication staff and others in the Premier's office, but that's a trend that's been continuing under...that happened under the NDP under Glen Clark....

Easingwood: Under Bill Bennett.

Geoghegan: That's a trend that continues, the reason being...and it happens with all political parties and it happens in other provinces and it happens in Ottawa, and that is because we nit-pick politicians. So what we are in effect doing as the media, as citizens who nit-pick politicians is we're driving political power out of the hands of politicians and driving it into the hands of civil servants and driving it into the hands of political staffers, and the only sort of elected official who nominally has the power is the Premier. In fact, his new inner circle whereas years ago it would have been cabinet ministers and MLAs is now political staffers and key bureaucrats.

Easingwood: All his buddies.

Let's get the final word here from David.

Schreck: I disagree with Mike. But wherever you stand on this pay issue, the point is that Gordon Campbell was trying to score cheap political points on it, and he was making misleading statements doing so. He may say, oh, he said what was accurate and you just didn't understand. One way or the other Campbell is trying to play games, taking political credit, claiming he is taking a pay cut when it's peanuts, and he's laughing all the way to the bank with a 54 percent pay increase he gave himself in 2007.

Easingwood: There we leave it, gentlemen.