

President

Ellen Oxman



Secretary

Debbie Fraess

Nanaimo, Duncan & District Labour Council

P.O. Box 822, Nanaimo, BC V9R 5N2 Telephone 250-753-0201 Fax 250-753-2954 Email labour@telus.net

Select Standing Committee on Finance and Government Services,
Room 224, Parliament Buildings,
Victoria, British Columbia, V8V 1X4

Dear Members of the Select Committee,

Thank you for the opportunity to provide input to your committee on what we feel should be budget priorities for this next year.

In our view, what should be done are the following:

1. Abandon the plan to impose the HST on British Columbia taxpayers. "Harmonizing" the federal and provincial sales taxes will hit low and middle income families the hardest. Moving from a tax on business inputs to a tax on consumer goods and services entails a substantial and highly visible shift of the tax burden from business to consumers, even if reduced input costs are eventually passed on to consumers in the form of lower prices. And they won't be if the HST results in taxes on goods or service not presently taxed by PST.
2. Stop Focusing on Tax Cuts – we need Fair and Adequate taxation to fully fund projects that need to be funded.
3. Press the federal government for improvements to Employment Insurance to allow people who have paid into the plan to actually receive benefits, instead of forcing them on Social Assistance.
4. Press the federal government for improvements to Canada Pension and Old Age Security. A small increase now can enable us to double the amount that goes to C.P.P. recipients when they retire.

We know that some of our proposals require federal, not provincial government legislation. However, since the federal and provincial finance ministers are scheduled to meet in Whitehorse in December of this year, we hope you will ask them to push these proposals.

“Harmonizing” the sales tax.

The proposed HST imposes new taxes in a wide variety of situations where no provincial sales tax was imposed, including real estate. The total cost of a new home in the province will cost anywhere from 2% to over 7% more than compared to the current 5% GST only system. The BC HST price difference and tax increase on new homes will have a profound influence on the first time home buyers market. The extra 12% tax burden won't be financed by the major banks, and therefore, the BC HST tax increase will only force many first time home buyers out of the new housing market and cause a slow down in the new housing construction industry.

If we're serious about energy conservation, the HST is the wrong way to go. The HST will impose added costs on energy conservation equipment (e.g., insulation, solar power equipment). Even bicycles will get an extra tax.

If we care about education the HST is the wrong way to go. Although books will be exempt, all other school supplies will not be. It will also increase the costs of school boards and municipalities. It does not make sense for one level of government to tax other levels.

If we care about safety, the HST is the wrong way to go, since it increases costs on smoke detectors and fire extinguishers and work related safety equipment, including safety helmets, life jackets, and first aid kits.

If we care about seniors and those not well off, it adds increased costs to basic cable TV and residential phones, non-prescription medication, vitamins and dietary supplements, residential fuels (electricity, natural gas) and heating, all food products (only basic groceries will remain exempt from BC HST), magazines and newspapers.

The new HST will add costs to all kinds of services - airline fares within Canada, funeral services, real estate fees, membership fees for health clubs, dry cleaning, personal services such as hair care, movie and theatre tickets, professional services such as accounting and home care, repair services for household appliances, and household maintenance such as renovations and painting. When we're just barely starting to recover from the recession now is NOT the time to slow down that recovery by driving away customers with higher prices.

Stop Focusing on Tax Cuts

We believe it is wrong to keep focusing on cutting taxes. Certainly, taxes should be no higher than necessary to deliver programs, but the current shortfall in provincial revenue is directly due to the major tax cuts given disproportionately to the relatively well off in 2001/2002 and 2007/2008.

The tax cuts in 2001/2002 unfairly gave the 13 % of people making more than \$60,000 annually 52% of the tax cuts, and in 2007/2008, gave the 14% of those earning more than \$60,000 49% of the tax cuts.

http://www.policyalternatives.ca/documents/BC_Office_Pubs/bc_2007/bc_tax_btn.pdf

Had the government chosen, instead of tax cuts for the well off, it could have provided more than \$400 million to deal with homelessness. Instead, by slashing it's own revenue in relatively good times, it has beggared itself and is slashing all kinds of needed programs – and disrupting the lives of British Columbians who depend on those systems.

We urge the government to re-examine it's priorities, and to stop giving the wealthy and corporations unnecessary tax breaks when it cannot meet its previous commitments.

Press For Improvements to Employment Insurance

We realize that Employment Insurance is a federal responsibility. However, the present state of Employment Insurance is unfair, inadequate, and transfers costs to BC as those out of work go on Social Assistance. Many Canadians, especially women and lower wage, insecure workers are being left out in the cold.

In November 2008, just four out of ten unemployed workers qualified for benefits. Those who do qualify get a maximum of 32 weeks of benefits, while many get as few as 14 weeks. The maximum weekly benefit of \$435 in 2008 is more than 25% less than in 1996 and the average benefit is now just \$335.

Job loss particularly affects those who already have unstable patterns of work, like those workers already on reduced hours before a layoff, as well as women and recent immigrant workers in part-time temporary and contract jobs.

We suggest a lower threshold entrance requirement of 360 hours of work – right across Canada to stop the discrimination against workers because of where they live. Someone out of work in BC is just as out of work as someone in P.E.I.

We want to see longer benefits – of up to 50 weeks so that fewer workers exhaust their claims and are forced to apply for Social Assistance. We want to see higher weekly benefits, based on the 12 best weeks of employment earnings before a claim, and to base the replacement rate on 60% of earnings.

The Employment Insurance program must be there for those who paid into it. Laid off workers and their families need adequate benefits to support them while they search for new jobs. Too many of the over 500,000 workers who lost their jobs due to the recession are falling through the cracks of the broken EI system.

We urge you to request the provincial Minister of Finance to support our position on improvements to E.I. when next they meet with the federal government.

Press for Improvements to Pensions

We urge you to support the CLC plan to improve pensions across Canada. One third of Canadians have no retirement savings of any sort. Only 38 % of Canadians have a private pension plan of some sort. Many are seriously underfunded, most are not portable and they are far more subject to pension fund collapse if employers go bankrupt.

The current panic in financial markets has caused those markets to slump in value by about \$4 Trillion. As a result, employer funded pensions have also taken a big hit, especially with interest rates as low as they are now. The average private pension plan is underfunded by 20-30%. As a result, many of them cannot deliver what they are expected to deliver.

The CLC Plan to provide dignity in retirement has three separate legs to stand on. The first leg is to improve the Guaranteed Income Supplement by 15%. While Canada has lower poverty for seniors than many other countries, the Old Age Pension and the Guaranteed Income Supplement provide only a bare minimum income. Raising it would move all seniors above the poverty line, and end the situation where 1 senior woman in 6 lives in poverty. To provide better pension benefits, tax subsidies to RRSPs could be reduced to finance an increase in Old Age Security benefits paid to all workers. The GIS is means tested, so only those in need would receive it.

The second leg is to double the Canada Pension Plan payout. CPP was only designed to provide about 25% of annual income and private pensions were expected to cover other needs. If we increase C.P.P. premiums by roughly half (an additional 3% of salary for workers and employers) over a period of seven to ten years, we could raise the payout of CPP from 25% of average salary to 50% of average salary.

Since the CPP is fully portable and fully indexed it will provide far better security for all retirees. And raising the CPP will reduce the amount paid out for GIS. CLC proposes this be paid for with either a small premium by employers or a financial transaction (including stock market transactions) tax at a very low rate – something like a tenth of one percent per transaction.

In addition, if you have a workplace pension plan, because the vast majority of them are “integrated” with CPP benefits, any increase to CPP premiums mean you'll be paying less for your workplace plan. You'll get the same pension income, but more of it will be from the CPP – which is far more secure than private workplace plans.

Pension Insurance

Employees are far more at risk with private pension plans. Nortel employees found this out the hard way when they failed to receive severance and discovered their pension plan was underfunded by 33%. Members of a CAW local in New Brunswick discovered that for years their employer had been diverting pension money to operations, so that their pension plan was underfunded by 50%. An employee of 20 years ended up with a total pension of \$400 per month.

That's why we need Pension Insurance. We already have home insurance, insurance for bank deposits, and our vehicles. One of the most important assets a worker owns is their pension. We want Ottawa to create a federal system of pension insurance, financed by contributions from the pension funds. While initially it would only apply to pensions in federal jurisdiction, it should be open to any province to opt into.

As part of this plan, the Pension Insurance scheme should adopt pension plans abandoned in corporate bankruptcy, so workers get a minimum retirement income. This could be funded by a 0.1% financial transfer tax on the Canadian stock market. Currently 13 other countries extract a tax on financial speculators.

RRSPs have also failed to deliver. RRSPs have an extremely high cost, with admin and charges often eating up 2-3% of your fund, making it very difficult to accumulate capital with current low interest rates. Those with RRSPs have average amounts saved of only \$60,000, which will only currently provide some \$250 per month as an annuity. Those with RRSP savings also saw them depleted drastically in the recent crash.

This is a fairness issue. We simply must bring the same sort of values to pensions that we see in Medicare. Everyone must be covered and no one should be locked out in the cold. We need to ensure that unscrupulous employers don't underfund pension plans and that we don't leave it up to the provinces to backfill with Social Assistance.

Conclusion.

We urge you to make the changes we have suggested. The HST is bad for consumers, bad for school boards and municipalities, for the real estate, restaurant, accommodation and construction industries as well. It's simply a bad tax.

We urge you to focus on tax fairness rather than tax cuts. We need enough money coming in in taxes that we can weather a temporary recession without having to slash services people depend upon.

And although our other recommendations are for federal programs, we urge the provincial Minister of Finance to make these recommendations:

That the federal Employment Insurance program be improved to allow more than the current 34% of those who have paid into the plan to actually receive benefits, and that we make those benefits more liberal - and last for up to 50 weeks so people can actually find jobs before they are forced to go to welfare.

That the federal government make improvements to the Canada Pension and Old Age Security. This could offset in large part, the failures of private pension plans and RRSPs to live up to the expectations of retirees.

That the federal and provincial governments institute a national pension insurance scheme, to ensure pension plans are not underfunded, and that retirees are not suddenly bereft of all their expected income.

Sincerely,

Robert Smits, Administrator

for Ellen Oxman, President