

On Thursday, the Liberal party promised to spend hundreds of millions on new and expanded programs, signaling the abandonment of what many had believed was its core principle of prudently managing the public's finances. The Premier justified the opening of the fiscal floodgates by claiming that the recent surge in government revenue was not windfalls resulting from a speculation-driven housing price boom, and low interest rate driven construction activity. The government, she claimed, had a structural surplus.

We were assured that this cynical ploy to recapture voter favour demonstrates that the Liberals leadership was listening, and would – without reference to, or adoption by, the general party membership – fundamentally change course.

What Thursday's strange spectacle really exposed was the Liberal leadership's only core value, the attainment and retention of power by any means available.

Many commentators and others were shocked by the seemingly abrupt change in direction. But for those who have been observing how in recent years this government has manipulated the finances of BC Hydro and ICBC in attempting to enhance its political objective, Thursdays announcement was part of this pattern. It was not a change in direction; rather it clearly exposed the Liberal leadership's lack of any core set of principles and philosophy of public administration.

One can only hope that the new NDP government, supported by the Green party, will quickly work to restore the public's faith in the ability of government to be a force for promoting the public good. The NDP must improve the public's understanding and trust in government. The new administration has the opportunity to set the ethical standard much higher than the low level where the Liberals felt most comfortable.

Notably absent from the long list of new spending was any relief for BC Hydro ratepayers or ICBC policyholders. The prudent course would have seen some of the windfall surplus used to pay down a portion of the high debt at BC Hydro, and to help rebuild ICBC's policyholders' capital reserve. Apparently, the Liberals did not want to bring attention to their management of the two Crowns, and the difficult task of restoring the finances of these vital public corporations will be left to the NDP to tackle

In this context, the NDP has promised to immediately review the Site C project. There has been much comment and speculation about the financial viability of the new dam. Most of the discussion relates to the accuracy of the capital cost estimate, and when (or whether) the new power will be required for domestic use. A capital investment approach seeks to evaluate projects in terms of the ultimate return on investment. What

has been missing is a clear estimate as to the impact of the project on BC Hydro's operating budget (and its rates), both in the short-term, and for decades to come.

Occasional Paper No. 33 is my high-level speculative attempt to quantify the operating cost and rate implications of a decision to proceed or to cancel (suspend) the project. My key assumptions will be clarified once many of the current unknowns are fixed and costed. The funding options are presented in the hope that they might assist to focus the current public discussion.

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