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Opinion: B.C. government throwing dice with our money on the line

Imagine you found yourself in a casino with \$97.50 burning a hole in your pocket. You walk near a craps table and hear a special offer from the dealer: bet that \$97.50 and roll anything other than a two, and you'll win another two bucks.

By [Jordan Bateman](#), [Sacha Peter](#)

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Premier Christy Clark and the B.C. government took on \$97.5 million in debt and reinvested that money in the Housing Development Finance Corporation Limited of India. PHOTO BY NICK PROCAYLO /PNG

Imagine you found yourself in a casino with \$97.50 burning a hole in your pocket. You walk near a craps table and hear a special offer from the dealer: bet that

\$97.50 and roll anything other than a two, and you'll win another two bucks. But roll snake eyes and you lose it all.

Do you do it?

What if the money wasn't yours? Would you be more likely to take the risk then?

The B.C. government would — and is. But it isn't \$97.50 on the line — it's putting \$97.5 million up to try to win \$2 million more.

Earlier this month, Finance Minister Mike de Jong announced that B.C. had become the first foreign government to issue a Masala bond in India. Essentially, B.C. took on \$97.5 million in debt and immediately reinvested that money not in B.C. infrastructure or something that would help B.C. taxpayers, but in the Housing Development Finance Corporation (HDFC) Limited of India.



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After the deal was questioned on Twitter by the Canadian Taxpayers Federation, Premier Christy Clark's deputy chief of staff explained that the deal should generate \$2 million profit for B.C. taxpayers over its three-year life. That's a return of roughly 0.67 per cent per year — assuming everything goes right with the gamble.

It may very well pan out, but there are a few yellow flags. As proof of HDFC's solid footing, the government touts a World Bank Group member, the International Finance Corporation, as a Masala investor. But many great, reputable firms have lost a fortune on bad investments before.

The news release says that the HDFC has a “domestic credit rating of triple-A.” Sounds positive, but during the 2008 global economic meltdown, large, well-known Wall Street banks experienced losses on AAA-rated securities. We are not saying there will be another meltdown, but we need to understand that these securities are not risk-free.

So why bother for such a small return? Why go \$97.5 million into debt and put that money into India? We know why India likes the deal: “This back-to-back

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issue ... shows that B.C. and Canada continue to find imaginative ways to invest in India to help it achieve its core objectives of building needed infrastructure for this fast emerging economy,” Canadian High Commissioner to India Nadir Patel said in the news release. British Columbians waiting in traffic, or passed up by a full bus, or sitting in a school portable, might wonder about our own “needed infrastructure.”

The government says the bond “adds to B.C.’s investor diversification and provides access to a new global source of liquidity.” But there’s no discussion on why B.C. should be contributing to funding the debt requirements of international corporations.

The biggest motivator seems to be entrenching economic links to India, especially as a B.C. lumber buyer. Indeed, B.C. is spending \$5 million over three years to promote B.C. wood in India. A noble cause, to be sure, but one that should be kept separate from B.C.’s investment decisions. A decision to risk \$97.5 million should not depend on marketing aims.

The debt taken on by B.C. is backstopped

by taxpayers. The government news release is silent on whether our investment into the Indian corporation is secured by any of HDFC's assets if they can't pay it back.

Make no mistake: the B.C. government is gambling with taxpayer assets. They stand a good chance of rolling the dice and adding \$2 million to the \$97.5 million they placed on the table. But eventually, every gambler rolls snake eyes and loses. When the government does, it's our money that's gone forever.

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