



Policy & Positions Manual
2016 - 2017

INTRODUCTION

The BC Chamber of Commerce (the Chamber) is registered under the Societies Act (British Columbia) as a volunteer, not-for-profit association and serves its members as the provincial federation of autonomous community chambers of commerce, boards of trade, and corporate members.

Known to have been in operation as early as March 1867, the Chamber was re-established in 1951 to:

1. Develop a true cross section of opinions of the British Columbia business community, and effectively present these opinions to government;
2. Build a diverse, competitive and sustainable economy that provides opportunity for all who invest, work and live in British Columbia; and
3. Create and nurture an effective membership organization that provides value and purpose to its members

This Policy and Positions Manual contains informed opinions and policy statements adopted by members during the policy session at the Chamber's 64th Annual General Meeting held in Kelowna, B.C., May 29th to 31st, 2016.

The Chamber's policy statements contained herein are submitted or presented to the Provincial and Federal Governments and are individually called to the attention of the Cabinet ministers responsible in order to make it possible for pending government legislation and regulations to reflect the individual opinion of our chamber members.

The Policy and Positions Manual also serves as a working document for the Chamber's Policy Review Committee, whose members regularly review and assess the timeliness, importance, and scope of the Chamber's policy statements.

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POLICY PRINCIPLES

Principles of Effective Public Policy

Public policy affects the businesses and economy of British Columbia through the impact of:

- Regulation;
- Taxation; and
- Provision of government services, programs and infrastructure.

Regulation

Well-designed and effectively enforced regulation improves the functioning of the economy by providing certainty for the business community. Certainty is essential for decisions about important long-term investment in our enterprises. Regulation should achieve environmental and social policy goals without:

- Imposing significant compliance costs on firms; or
- Weakening the ability of businesses to adapt to changing economic conditions, technologies and consumer preferences.

Damage to business and constrained economic activity occurs when regulations have:

- Disproportionately high compliance costs (particularly administrative costs);
- Inconsistency in the way they are enforced (as unenforced regulation favours those who would ignore them);
- Inequitable in their design and application;
- Restrict competition; or
- Otherwise create an onerous or uncertain burden on business.

The Chamber believes that government must ensure that regulation is:

Effective - Monitored or measured against intended outcomes to meet justified needs.

Equitable – Non-exclusive in their application to the greatest extent practicable, depending upon the circumstances.

Cost-Efficient – The cost of regulation, both in terms of administrative cost to government and cost to the economy is balanced against the intended benefits.

Predictable – Business must be comfortable the regulatory landscape is not open to sudden or dramatic change. Regulatory changes should not come as a surprise to the regulated sectors and have appropriate transitional provisions.

Transparent – Both the regulations and the process for establishing them must be open to public input and review.

Timely – Regulations should never be ‘set in stone’ but rather subject to periodic review.

Flexible – Regulations, individually and collectively, must be responsive to changing circumstances.

Integrated and Harmonized – wherever practicable governments should integrate and reduce regulatory requirements and streamline assessment and compliance processes (i.e. ‘one project, one process’).

POLICY PRINCIPLES

Taxation¹

Business recognizes that government has a fundamental role to play in providing the infrastructure, both physical and societal, that is essential to a vibrant and sustainable business climate. The Chamber recognizes that tax revenue must be raised by governments to pay for services, programs and infrastructure, and when properly designed should minimize distortive impacts on business and the economy.

Specifically, the Chamber believes government must ensure that taxes are:

- **Low but Adequate** - Just enough to generate revenue required for provision of essential public services and avoid structural deficits.
- **Broad-Based** - Spread over as wide as possible section of the population, or sectors of economy, as the case may be, to minimize the individual tax burden.
- **Efficient** - Collection effort should not consume a significant portion of tax revenue, and should be implemented in an economically efficient way (e.g. consumption taxes versus income or capital taxes). Tax credits, earmarking and exemptions are generally opposed by the Chamber.
- **Equitable** - Taxes should apply equally to all individuals or entities in similar economic circumstances.
- **Transparent** - To the extent that they interfere with or influence individual decision-making or favour some sector, explicitly acknowledge this intent.
- **Predictable** - Collection of taxes should reinforce their inevitability and regularity.
- **Simple** - Tax compliance, assessment and determination should be easily understood by an average taxpayer.
- **Competitive** – The overall tax burden must reflect the need for B.C. to remain competitive on a regional, national, and international basis.
- **Well-managed:** Effective and efficient systems of internal control are in place, and proportionate to the risks they aim to mitigate, yet support innovation and results for Canadians.

¹ “Taxation” includes all methods applied by government to raise revenue, whether or not a tax, government budgeting and the application of fiscal and monetary tools by government.

POLICY PRINCIPLES

Government Spending and Programs

The provision of government programs is a central responsibility of government. Whether it is education, health care, housing, policing or income assistance, government plays a fundamental role in providing services that support families, business, and the broader community. However, government has a greater responsibility to ensure funding dedicated to these programs is appropriately directed and provides value to the taxpayer. Specifically, government must ensure programs consider the following questions:

- **Public Interest** – Does the program or area of activity serve the broad public interest?
- **Balance** – does it balance the overall needs of society and address the sometimes difficult tradeoffs? For example, health care has increasingly crowded other areas of investment essential to the economic well-being of Canadians.
- **Holistic** – Does the activity address the issue holistically i.e. across society and government agencies?
- **Funded Appropriately** – Is program funding linked to the natural cycle of the underlying investment? i.e. Municipal infrastructure has a different life cycle than education or unemployment insurance.
- **Harness Competition & Innovation**– Does it consider and appropriately harness competition and innovation to control the cost of public services? For example, can delivery costs be lowered through intelligent use of technology, demand management, public-private partnerships or third party delivery?
- **Affordability** – Is there broad public support for the level of taxation that is required to support a program and does it appropriately control demand as well as supply?
- **Role of Government** – Is there a legitimate and necessary role for government in this program area or activity, or could the private/voluntary sector play a greater role in whole or in part?
- **Efficiency** – If the program or activity continues, how could its efficiency and effectiveness be improved?
- **Accountability** – Are Canadians getting value for their tax dollars?

The BC Chamber of Commerce

POSITIONS

ON

SELECTED PROVINCIAL ISSUES

2016 – 2017

ABORIGINAL RELATIONS AND RECONCILIATION

REPRESENTING THE PUBLIC INTEREST REGARDING FIRST NATIONS TITLE (2015)

A body of jurisprudence, including the recent Tsilhqot'in decision of the Supreme Court of Canada (SCC)¹, clarifies First Nations title rights. They provide a framework for government, industry and First Nations to address these rights. Such clarifications should increase certainty for investors and the public.

First Nations, at times, appear to be the only prominent voice discussing the implications of court decisions affecting aboriginal title. They also appear, at times, to be further asserting aboriginal title in ways that address neither the letter nor the spirit of the full court decisions and the body of jurisprudence. The Province has been silent on important aspects of the Tsilhqot'in decision. Most discussion has focused solely on the court's declaration of aboriginal title and the powers and authority such a declaration provides to a First Nations. Not enough has been said about how the Tsilhqot'in decision emphasizes the rights and powers of the Province, of particular importance is the right to infringe aboriginal title where justified in the public interest, and the court's unequivocal finding that provincial law applies in title and territorial areas:

- In 1990, this Court held that s. 35 of the Constitution Act, 1982² constitutionally protected all Aboriginal rights that had not been extinguished prior to April 17, 1982, and imposed a fiduciary duty on the Crown with respect to those rights: *R. v. Sparrow*, [1990] 1 S.C.R. 1075. The Court held that under s. 35, legislation can infringe rights protected by s. 35 only if it passes a two-step justification analysis: the legislation must further a “*compelling and substantial*” purpose and account for the “*priority*” of the infringed Aboriginal interest under the fiduciary obligation imposed on the Crown (pp. 1113-19).³
- Once Aboriginal title is established, s. 35 of the Constitution Act, 1982 permits incursions on it only with the consent of the Aboriginal group or if they are justified by a compelling and substantial public purpose and are not inconsistent with the Crown's fiduciary duty to the Aboriginal group; for purposes of determining the validity of provincial legislative incursions on lands held under Aboriginal title, this framework displaces the doctrine of interjurisdictional immunity.⁴

Balanced discussion of the rights accorded by the SCC both to the Province and to First Nations is essential. Not managing expectations in regard to public interest and First Nations rights can plant new seeds of discord, as well as create uncertainty for investors and the public on how the Province will represent the interests of all British Columbians.

An example of unmanaged expectations is First Nations, so-far, uncontested assertion that their own mining policies and laws will apply in their asserted territories rather than the Province's and ongoing demands for Impact Benefit Agreements, payments to consult or to even access lands (among other things). None of this seems to have a firm foundation in the body of aboriginal title decisions by the courts. The Province is the only appropriate body to address this.

The courts have been clear that First Nations do not hold a veto over projects or developments even where

1 <https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/14246/index.do>

2 <https://zoupio.lexum.com/calegis/schedule-b-to-the-canada-act-1982-uk-1982-c-11-en>

3 SUPREME COURT OF CANADA, Citation: Tsilhqot'in Nation v. British Columbia, 2014 SCC 44, [2014] 2 S.C.R. 256 Date: 20140626; Docket: 34986, Paragraph 13

4 SUPREME COURT OF CANADA, Citation: Tsilhqot'in Nation v. British Columbia, 2014 SCC 44, [2014] 2 S.C.R. 256 Date: 20140626; Docket: 34986, Paragraph 2

ABORIGINAL RELATIONS AND RECONCILIATION

aboriginal title is proven, let alone on asserted territorial lands where overriding public interest can be demonstrated and an infringement of title can be justified according to long-established legal principles:

In the *Delgamuukw* decision, the SCC confirmed that infringements of Aboriginal title can be justified under s. 35 of the Constitution Act, 1982 pursuant to the Sparrow test and described this as a “*necessary part of the reconciliation of [A]boriginal societies with the broader political community of which they are part*” (at para. 161), quoting *R. v. Gladstone*, [1996] 2 S.C.R. 723, at para. 73. While Sparrow had spoken of *priority* of Aboriginal rights infringed by regulations over non-aboriginal interests, *Delgamuukw* articulated the “different” (at para. 168) approach of involvement of Aboriginal peoples — varying depending on the severity of the infringement — in decisions taken with respect to their lands.⁵

[1] What interests are potentially capable of justifying an incursion on Aboriginal title? In *Delgamuukw*, this Court, *per* Lamer C.J., offered this:

In the wake of Gladstone, the range of legislative objectives that can justify the infringement of [A]boriginal title is fairly broad. Most of these objectives can be traced to the reconciliation of the prior occupation of North America by [A]boriginal peoples with the assertion of Crown sovereignty, which entails the recognition that “distinctive [A]boriginal societies exist within, and are a part of, a broader social, political and economic community” (at para. 73). In my opinion, the development of agriculture, forestry, mining, and hydroelectric power, the general economic development of the interior of British Columbia, protection of the environment or endangered species, the building of infrastructure and the settlement of foreign populations to support those aims, are the kinds of objectives that are consistent with this purpose and, in principle, can justify the infringement of [A]boriginal title. Whether a particular measure or government act can be explained by reference to one of those objectives, however, is ultimately a question of fact that will have to be examined on a case-by-case basis. [Emphasis added; emphasis in original deleted; para. 165.]⁶

Constructive engagement is important, which is why the Province’s silence on the issue is such a concern.

The implications of this silence are clear. For example, international investors are being advised to avoid investing in B.C. because of the uncertainties surrounding these issues. At a so-called ‘Canada Day’ event at a March 2015 “Mines and Money” conference in Hong Kong attended by over 2000 people, several speakers specifically advised investors not to invest in Canada or B.C. because of the Tsilhqot’in decision. It seems a safe assumption this sentiment is not restricted to the mining sector.

B.C. stands on the cusp of remarkable opportunity, particularly as the world’s economic centre of gravity shifts back to Asia. Our location on the Asia Pacific Rim positions us well to capitalize on emerging market opportunities.

But our ability to capitalize on these opportunities depends upon our ability to attract investment – and that depends upon establishing certainty surrounding First Nations land and title issues, the public interests and government’s ability to respond and reconcile such issues in a timely, fair and just manner.

⁵ SUPREME COURT OF CANADA, Citation: Tsilhqot’in Nation v. British Columbia, 2014 SCC 44, [2014] 2 S.C.R. 256 Date: 20140626; Docket: 34986, Paragraph 16

⁶ SUPREME COURT OF CANADA, Citation: Tsilhqot’in Nation v. British Columbia, 2014 SCC 44, [2014] 2 S.C.R. 256 Date: 20140626; Docket: 34986, Paragraph 83

ABORIGINAL RELATIONS AND RECONCILIATION

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Acknowledge and accept that the courts have given the province the right to uphold public interest rights where justified in the public interest in accordance with long-established legal principles in matters of aboriginal title;
2. Develop a plan and institutional process for how to uphold public interest rights in regard to First Nations interest;
3. Pro-actively manage public interest expectations in regard to First Nations and the appropriate guidance provided by the jurisprudence; and
4. Publicly state how it will use the public interest rights and obligations afforded it by the courts with respect to aboriginal title and land claims in asserted territories.

ABORIGINAL ISSUES: ACHIEVING GREATER CERTAINTY (2014)

Businesses operate best in a stable and predictable environment, where rights are certain and are protected by the rule of law. The biggest issue for the business community arising from aboriginal claims is uncertainty. The root of the uncertainty in B.C. is that aboriginal groups assert rights of ownership or control over all of the land in the province, but those rights are not recognized in the legal regime that business operates in.

Many activities that businesses pursue, or would wish to pursue with the permission of the Crown, may be seen as impacting these asserted aboriginal rights in some way. It is clear that aboriginal rights and aboriginal title still exist in the province, and are protected by the Constitution, but in most instances the extent of aboriginal rights is unclear, while the extent of aboriginal title still remains completely unknown.

Increased Expectations

The gap between what the aboriginal and non-aboriginal populations would accept as a reasonable resolution or reconciliation can be perceived to have grown in the last decade.

It appears to many of the Chamber's members that since the 1997 decision of the Supreme Court of Canada in *Delgamuuk'w*, to the effect that aboriginal title has not been extinguished in B.C., there has been a trend of increasing expectations by aboriginal peoples as to the extent and strength of their rights.

Two recent and significant events that may have contributed in raising those expectations are the (non-binding) statements made by Mr. Justice Vickers in the *William* case in November 2007 concerning the extent of aboriginal title of the Tsihlot'in people, and the 2009 Recognition and Reconciliation (R&R) initiative of the provincial government. Although the 'R&R' initiative was ultimately declared "dead, dead, dead" by the aboriginal leadership themselves, before it died it proposed a very significant degree of control of provincial resources through "shared decision making", as well as the potential recognition by the Province that aboriginal title existed throughout the whole of the province.

ABORIGINAL RELATIONS AND RECONCILIATION

The level of aboriginal expectation is probably best indicated by the extent to which a standard of “free, prior, and informed consent” was adopted by aboriginal groups as a pre-condition to business development. This principle was expressly rejected by the Supreme Court of Canada in *Haida* in 2004, expressly rejected by the federal government when it voted against the UN Declaration on the Rights of Indigenous Peoples in 2007, and expressly rejected again by the federal government on November 12, 2010 when Canada issued a Statement of Support endorsing the Declaration as an aspirational document, but at the same time noted it was a non-legally binding document that does not alter the legal duty to consult.

The increased level of expectation of aboriginal people may be a significant factor in the lack of progress in the treaty process, and the withdrawal of many aboriginal groups from the treaty process altogether, since what is offered in that process cannot meet the present levels of expectation.

Further directions and clarity on what are the legal rights of aboriginal peoples appears to be necessary to move forward with the ultimate goal of reconciliation. Under our Constitution, the Supreme Court of Canada is the only body that can define the rights of the aboriginal people.

The Chamber is not generally of the view that recourse to the courts is the best way to resolve a dispute. However, the most prudent way of determining whether the expectations of the aboriginal peoples are supportable is to have more cases concerning the extent of aboriginal rights and title determined by the Supreme Court of Canada.

Achieving Long Term Certainty Will Require Negotiation, Litigation, and Time

Certainty concerning the extent of aboriginal rights and title will most likely be achieved by two methods running in parallel – that is, by a combination of court decisions which will provide better guidance to all parties as to the actual extent of aboriginal rights and title, and by negotiations culminating in final settlements in the Treaty process.

It is important to note that achieving certainty concerning the extent of aboriginal rights and title in the province will take a very long time, and it is necessary to create a workable environment for the business community pending final achievement of that goal.

Achieving Greater Certainty in the Short Term

The challenge for Federal and Provincial Governments is to create an environment in this province which will allow businesses to operate successfully and competitively – and with greater certainty – for the foreseeable future, while the resolution of the aboriginal rights and title issues is still underway. The solution, as noted below, is to institute an effective process of consultation, as suggested by the Supreme Court of Canada in *Haida*.

The most important recent decision that provides how to achieve greater certainty in the short term with respect to aboriginal rights issues is still the November 2004 decision of the Supreme Court of Canada in *Haida*.

The *Haida* decision – and the companion *Taku* decision – addressed the process the Crown should follow before granting licences and rights which might affect unproven but asserted claims to aboriginal rights and title. This was further clarified by the decision in *Rio Tinto Alcan* (2010).

ABORIGINAL RELATIONS AND RECONCILIATION

The key finding of the Supreme Court of Canada (the Court) was that the Crown has a duty to consult with aboriginal groups who have not yet established their rights, before granting licences or permits that might affect their asserted rights, and in some circumstances, the Crown has a duty to ‘accommodate’ those aboriginal groups.

The Court made it clear that the duty to consult with aboriginal groups is one owed solely by the Crown, and is not owed by the business community.

The Court described the nature of the consultation required as being on a sliding scale, based on an assessment of the strength of the aboriginal claim and the impact of the proposed activity on the asserted aboriginal interest.

The Court also commented on ‘accommodation’, describing it as a process of trying to harmonize the competing interests of development and the wish to protect aboriginal interests.

A very interesting part of the decision was a statement by the Court that the Crown (both federal and provincial) could establish regulatory schemes to comply with the legal obligation of consultation. In effect, the highest Court in Canada advised the Crown that if a fair process for consultation was established, and followed, then the courts would uphold the decisions that emerged from that process.

The consultation principles in *Haida* were also applied to Treaty rights in *Mikeew* (2005), and were further clarified in the Treaty context in *Little Salmon* (2010).

From the perspective of the business community the consultation process largely remains a black box with almost no rules. This is a major impediment for people wishing to do business in the province. Achieving greater certainty with respect to the process of aboriginal consultation – with guidelines, timelines, and outcomes that can be relied on – is of critical importance to the business community.

There have been some recent improvements in the Provincial Government process. There does appear to be more effort committed to developing expertise in consultation in the recent reorganizations of the “dirt ministries”. There have also been some recent efforts to provide some guidance to the business community. The “Updated Procedures for meeting Legal Obligations When Consulting First Nations – Interim” (May 2010) and the companion “Guide to Involving Proponents When Consulting First Nations (April 2010) are welcome developments, as are the published policy statements of the Environmental Assessment Office that provide a guide for project proponents in consulting with aboriginal people in both a Treaty and Non-Treaty context. It is still an open question as to whether the recent Protocols with the *Haida*, Central Coast, and other groups will actually achieve any greater certainty.

With respect to the federal consultation process, Indian and Northern Affairs Canada made an initial effort to address this policy vacuum by releasing its “Interim Guidelines for Federal Officials to Fulfill the Legal Duty to Consult” in February 2008 and has followed up with the Federal Consultation Guidelines of March 2011.

However, these efforts fall short of the regulatory regime that was suggested to both levels of government by the Supreme Court of Canada in 2004 in *Haida*. According to WikiLeaks, a cable from the U.S. Embassy in Ottawa says that, “as long as Canada lacks a clear definition of aboriginal rights or a uniform model for negotiations, effective mechanisms to resolve aboriginal grievances in a timely manner will remain elusive”. This statement is consistent with the experience of members of the Chamber, and the

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general situation remains that there is little guidance from either Crown as to what are the reasonable outcomes or timing expectations in a consultation process.

One additional point is that the provincial and the federal governments are often both involved in the same project, with permits required from each of them. There is no real effort to coordinate the consultation processes required for the different permits, so the consultation process is generally repeated by both levels of government, with little or no reference to the other, adding to both expense and delay.

Revenue Sharing by the Crown(s)

In addition to wanting greater control over the decision-making process of whether a new business activity should proceed, aboriginal groups wish to receive a portion of the revenue derived from the proposed business activity.

Whether an aboriginal group should receive such an economic benefit is a matter of policy that should be determined by the Crown, and not by individual businesses.

In *Haida* – and the decisions that followed - the Court did not propose a practice of paying money as a requirement of ‘accommodation’ before aboriginal rights had been established.

Outside of business activities carried out on reserve or treaty land, there is no legal basis to suggest that the business community should be paying aboriginal groups for the “right” to carry on business in the province.

There have been some recent developments in the Province to provide for the sharing of Crown revenues on a variety of projects. Examples of this are the Economic Benefits Agreements that have been negotiated between the Province and some members of Treaty 8, and the Resource Revenue Sharing Policy that was announced by the Province for the mining sector in October of 2008, which was implemented on two mining projects in 2010. There also appears to be a movement by the Province to apply a revenue sharing approach in the forestry sector.

How the resource revenues and tax base of the province should be shared between the Crown and the aboriginal peoples ought to be a matter of government policy, and not developed as a consequence of individual arrangements between aboriginal groups and business people based on self-interest and pragmatism, as a consequence of the failure of the federal and provincial governments to develop an effective consultation process, or a workable policy around revenue sharing.

In summary, while both levels of government have been taking steps in the right direction to assist in achieving greater certainty for business in the province, there is still much room for improvement.

THE CHAMBER RECOMMENDS

That the Provincial Government works with the Federal Government to:

1. Develop harmonized workable regulatory processes for carrying out consultation with the aboriginal peoples that will amount to the regulatory schemes referred to in *Haida*;
2. Continue to provide clearer guidelines for the business community with respect to its role (if any) in the consultation process;

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3. Continue to develop policies around revenue sharing with aboriginal peoples; and
4. Make it clear that it is not an expectation or requirement of either Crown that in the course of permit approval businesses must pay aboriginal groups in order to carry on business on land over which the aboriginal peoples do not have an established legal right.

ADDRESSING B.C.'S TECHNOLOGICAL AND ENGINEERING SKILLS SHORTAGE (2015)

The provincial government has undertaken a significant amount of work in enhancing B.C.'s skills training and closely aligning these programs with proven industry need. The creation of the *BC Skills for Jobs Blueprint*¹ demonstrates the government's commitment to the skilled labour shortage in B.C. Over three years, \$185 million will be invested in infrastructure and equipment for skills and trades training. Information will also be published on seats available at public post-secondary institutions for in-demand programs.

It is imperative that the money be strategically allocated across B.C., and that for northern B.C., the allocation focus on technological and engineering training.

The Asia Pacific Gateway Skills Table studied labour market requirements for northern B.C. between 2013-2022 and produced data predicting a tight labour market in northern B.C. for Civil Engineers, Civil Engineering Technologists and Technicians, Industrial Engineering and Manufacturing Technologists and Technicians, Industrial Instrument Technicians and Mechanics, and many other technology-related occupations for the duration of the survey period. Shortages of these skilled people are expected to restrict economic growth.²

Moreover, based on the [Workforce Intelligence Study: Identifying Canadian Talent Pools for Prince George's In-Demand Occupations](#)³ done by Initiatives Prince George in May 2014, five of the twelve highest demand occupations in the Prince George (on the basis of employer identified shortfalls) are engineering or technology related.⁴ Within this report, and backed provincially by the National Occupational Classification (NOC) 2011 – Top 60 Jobs in Demand in B.C.⁵, there is a strong consensus among employers interviewed that civil engineers, mechanical engineers, and electrical engineers should be a high priority for recruitment and training. The provincial list of NOC Top 60 Jobs in Demand includes five engineering / engineering tech occupations and an additional two related technical occupations.

From a provincial standpoint, Randstad Engineering completed a Canadian wide study of engineering labour market conditions between 2011-2020, and predicts that B.C. as a whole will have the tightest engineering labour markets in Canada across the coming decade.⁶ Rising replacement demand adds to expansion demand as the decade progresses. Graduates from post-secondary programs are rising and peak in 2017 but these additions are not sufficient to cover demands. Immigration levels are assumed to remain at relatively low levels reported in 2011. The report suggests that B.C. employers' focus will be on specialized and experienced engineers to replace retirements and to meet cyclical resource driven conditions.

Continued growth and expansion of northern B.C. requires technologists and engineers trained in the north

Investment in capacity-building fields, such as technology and engineering, will help to retain

1 <https://www.workbc.ca/Job-Seekers/Skills-and-Training/B-C-%E2%80%99s-Skills-for-Jobs-Blueprint.aspx>

2 The Gateway LMI Project, Labour Market Requirements for The Northern British Columbia Asia Pacific Gateway, 2013–2022, Prepared by Asia Pacific Gateway Skills Table, July 2013.

3 <http://www.initiativespg.com/wp-content/uploads/2014/06/InitiativesPrinceGeorgeWorkforceIntelligenceStudyFinalReportV2.pdf>

4 Workforce Intelligence Study: Identifying Canadian Talent Pools for Prince George's In-Demand Occupations. Prepared by R.A. Malatest & Associates Ltd. for Initiatives Prince George (IPG) March 31st, 2014. Table 3: High Demand Occupations in Prince George

5 Human Resources and Skills Development Canada, 2014

6 Engineering Labour Market Conditions 2011-2020, Randstad Engineering.

professionals as the northern economy continues to grow and diversify. Increasing the local capacity for innovation and technology development is critical for economic and social development. Skills in these areas create entrepreneurs, business people and critical thinkers who become leaders and help build community capacity thus creating resilient communities that are more self-sufficient and less subject to the ebbs and flows of economic cycles.

More than 50% of all capital investment planned in the province over the next ten years will occur in northern B.C.,⁷ though this region has less than 10% of the B.C. population. Therefore, it is essential that we not only endeavor to provide relevant training opportunities, but that those training opportunities are located in the regions where employees are needed. Graduates from northern B.C. institutions stay in the north. In the “B.C. Student Outcomes”⁸ survey done annually by the Province, it shows that 67% of UNBC alumni choose to live and work in northern B.C. after graduation, in contrast to 2.5% from all other B.C. educational institutions. In fact, UNBC now annually produces far more university graduates for the north than all other B.C. universities combined.⁹

It should also be stressed that when UNBC was created, northern B.C. student participation in university education jumped from 8% in 1993 to over 47% in 2014. While this is a remarkable improvement, the regional post-secondary participation rate is still lower than the provincial average, indicating that there is still a largely untapped human resource in the north that with a properly resourced engineering program, will stimulate greater enrolment in Engineering education and subsequently stay and work in the North, stimulating further economic development in the region¹⁰

A UNBC Alumni survey was recently completed with over 1500 alumni participating from all across Canada. Though the official results are not yet published, the survey shows that the north is retaining about 75% of the northerners who go to UNBC and nearly 40% of the non-northerners who attend and graduate from UNBC. This is in stark contrast to a mere 2.5% of graduates from all other B.C. institutions that choose to live and work in northern B.C.

To further highlight the challenge of attracting university graduates to the north from major urban centers, UBC graduates over 6,000 students per year, but less than 1% (only 32 people in the 2010 example), choose to work in the north (2 years after graduation), despite engineers and engineer technologists being in short supply. This underscores the importance of providing education in close proximity to employment opportunities.

Engineering and technology programming needs continued support through northern B.C. educational institutions

UNBC’s Northern Medical Program has proven to be effective in retaining highly-skilled professionals in a desired field. The model for medicine has worked well for Prince George and the north, and could potentially be adopted by other specific programs in the technology and engineering fields.

The Wood Innovation and Design Centre recently established in Prince George is a critical investment in graduate-level wood engineering through UNBC, along with design programs from Emily Carr University. This is an excellent example of the Province supporting engineering education in northern B.C. However, the only bachelor’s program currently on offer in the region is a Bachelor of Applied

7 B.C. Major Projects Inventory. 2013

8 <http://outcomes.bcstats.gov.bc.ca/Default/Home.aspx>

9 2012 survey of 2010 B.C. university graduates. B.C. Student Outcomes.

10 UNBC 2014-2017 Institutional Accountability Plan and Report (using B.C. Headset Data)

ADVANCED EDUCATION

Science in Environmental Engineering (BASc) delivered in partnership between UNBC and UBC. The masters in engineering program must be supported by technologists and undergraduate engineering programs in order to be sustainable. UNBC would be well served with mechanical and civil engineering programs at the undergraduate level. Community colleges would also benefit from increased technology programs.

Many of the engineering and technology jobs and the projects associated with them are located in the northern part of B.C., yet it can be difficult to attract skilled employees. This is a limiting factor for the entire B.C. economy. With much of the capital investment planned in the north and the majority of the exported products from outside of the Lower Mainland, revenue generated from the rural and northern economies create prosperity throughout the province. Hence the recommendation that resources dedicated to education and training be allocated in northern B.C. so that the north can continue to be an important driver of the B.C. economy.

THE CHAMBER RECOMMENDS

That the Provincial Government allocates the \$185 million for the *BC Skills for Jobs Blueprint* strategically across B.C., that the share for northern B.C. be proportionate to the economic opportunity associated with proposed projects, and that the allocation focus on technological and engineering training in the north.

EFFECTIVE MEAT INSPECTION SYSTEM FOR ALL B.C.'S COMMUNITY SCALE LIVESTOCK PRODUCERS AND ABATTOIRS (2015)

The Issue

Changes to B.C. Meat Inspection Regulation (MIR) requirements for all provincially licensed abattoirs (slaughter facilities) in B.C. came into force in 2004, and compliance became mandatory on September 30, 2007. The changes and upgrades required were suited to large scale operations but costly for community scale (small and medium-sized) meat producers and abattoirs causing some to go out of business. Even as the price of beef (a primary livestock in B.C. agriculture) has risen dramatically in recent years, causing a resurgence of beef's popularity on smaller properties and, therefore, more coming to the market from small producers, the existing regulations are causing a decline in capacity to process. Currently, B.C. agriculture GDP as a percentage is one of the lowest in Canada at 3.1%.

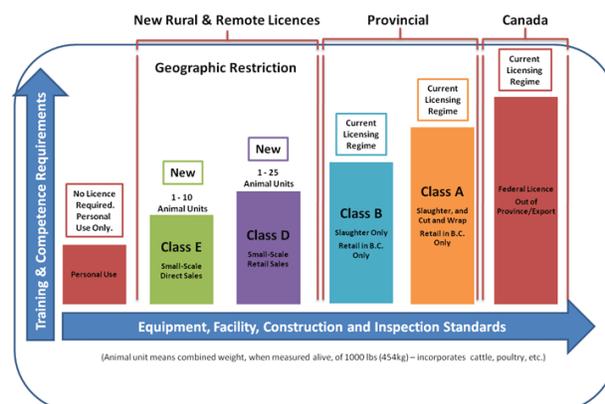
When abattoirs went out of business, community scale producers in those areas had to transport their livestock further to abattoirs compliant with the MIR requirements or rely on mobile meat processing facilities. The abattoirs (often larger scale) that invested in the required MIR upgrades passed these costs on through slaughtering charges. These additional costs to producers resulted in significant increases in meat product charges, in some instances doubling the per pound charge putting these products out of reach for many customers.

Ultimately, the gap in consumer demand for unique and non-mainstream products may only soon be filled by importing, with the inability of small scale producers to play any significant role in the supply cycle.

Background

The changes to the Meat Inspection Regulation began, in part, as a result of Bovine Spongiform Encephalopathy (BSE) incidences in the beef industry and the federal government's concern about food safety. BSE did not originate from community scale livestock producers and abattoirs. The 2004 MIR requirements were partially an attempt at preserving federal export markets for meat, particularly beef. Meanwhile B.C.'s producers and abattoirs of all community scale livestock (e.g., beef, poultry, bison, pork etc.) fall under the same regulations and have been affected by these changes.

In addition to large scale production facility licenses Class A, B, or C, there are 2 Meat Inspection Regulation licenses currently issued to community scale production facilities and producers in British Columbia, Class D and E. Class D is for 1 – 25 animal units (capacity to process own animals and other people's animals) and Class E is for 1 – 10 animal units (capacity to process own animals only).



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If you operate in one of ten “designated regions” you may apply for both Class D and E licenses. The ten designated regional districts are: Central Coast, Kitimat-Stikine, Mount Waddington, Northern Rockies, Powell River, Skeena-Queen-Charlotte, Squamish-Lillooet, Stikine, Strathcona (portions only of the Mainland and Discovery Islands) and Sunshine Coast. These areas have been designated by the Meat Inspection Regulation department based on a combination of the following criteria:

- The absence of licensed slaughter facilities;
- Low population density;
- Small livestock numbers; and
- Transportation barriers (e.g., required marine transportation or seasonal road closures).

If you operate in one of the 18 “non-designated areas”: Alberni-Clayoquot, Bulkley-Nechako, Capital, Cariboo, Central Kootenay, Central Okanagan, Columbia-Shuswap, Comox Valley, Strathcona (Vancouver Island portion), Cowichan Valley, East Kootenay, Fraser Valley, Fraser-Fort George, Greater Vancouver, Kootenay-Boundary, North Okanagan, Nanaimo, Okanagan-Similkameen, Peace River, Thompson-Nicola, you may apply for a Class E licence. Class E licences will only be issued in cases where an operator demonstrates a clear need for additional slaughter capacity, or requires services that are not available through an existing Class A, B, or C facility (e.g., species-specific slaughter or specialty slaughter services such as certified organic, halal, or kosher).

Community scale livestock producers/abattoirs are mostly small and medium-sized family run farms with an interest in running a viable business off their land. The majority of these businesses factor firsthand production and processing of their livestock as a way of offering fresh, quality and safe meat products. They aim to raise livestock in healthy conditions and to process in humane ways. Customers appreciate the integrity of the meat products these farms offer, choose to support these local farms and like to know where their food comes from. Before the MIR, these farmers kept their processing fees and product cost lower by raising and processing their own livestock and running abattoirs to process others’ livestock.

To partly fill the void, mobile producers began receiving licensing opportunities to operate in 2011 for the 2012 harvest year. However, since the decrease of operators had already begun, many have struggled, and continuing to operate in the face of restrictive regulation is increasingly not financially sensible.

The two-year pilot project in the North Okanagan ended in 2014, and has not been rolled out across the affected areas in spite of the original intent of the trial process.

The MIR requirements were designed for large abattoir operations and hence very expensive for community scale operations. Abattoirs that did become licensed have now taken over many of the abattoir services and transferred the costs of licensing to the community scale producers (their customers). This has resulted in small and medium farms going out of business or incurring additional processing and transportation costs and losing profits. With a loss of community scale farmers, *B.C.’s consumers have also lost diversity of products and local connection to its food sources.*

The Ministry of Agriculture has initiated the “[B.C. Agriculture Plan](#)” which states that “all British Columbians should have access to safe, locally produced food.” and that “B.C. will enhance its market brand to profile high-quality products reflecting our province’s reputation for environmental sustainability and healthy living.” The plan aims to increase agricultural diversity and produce healthy food and to “strengthen the connection between the people who purchase B.C. farm products and the farming and ranching families who produce them.” By restructuring the MIR requirements our province could attain this in the area of community scale production and processing of livestock raised by B.C. small and

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medium-sized farmers.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Expand “D” and E” licenses throughout the province to include the 18 non-designated areas; and
2. Conduct randomized meat inspections based on a ranking system developed by the government meat inspectors. Examples of this can be found in the food processing industry: high risk ranking = frequent inspection, low risk ranking = less frequent random inspection.

C CHILDREN AND FAMILY DEVELOPMENT

ADDRESSING CHILDCARE ACCESS FOR EMPLOYEES (2016)

Since the Province of B.C. published its Families First Agenda for B.C. in 2012, families and employers anticipated support for childcare access and affordability. Key findings in the report include the need to address fragmentation of B.C.'s services, and to "improve the affordability, accessibility and the quality of childcare programs to better meet the needs of families."¹ Recent findings suggest that rather than improving, accessibility is decreasing while fees are increasing. For those who can afford the fees, the biggest challenge is finding spaces within a reasonable distance to their community.

Dr. Paul Kershaw, from Generation Squeeze and UBC's Human Early Learning Partnership (HELP), found that work-life conflicts of parents raising young children is actually costly for employers resulting in higher absenteeism rates, greater turnover, and increased use of employer-funded extended health benefits. Further, the cost to the B.C. business community, according to Kershaw, is over \$600 million annually and over \$4 billion for Canadian businesses. These costs are exasperated by the costs to the Canadian health care system of over \$2.5 billion and child welfare of over \$1.2 billion. Inadequate childcare is too costly to ignore.

However, in B.C. as of 2012², only 18% of children under 12 had access to a regulated childcare space, which is less than the Canadian average of 20.5%. Unregulated care arrangements include family members through to neighbourhood small care-givers, with no regulated standards of safety or quality, no inspections and no oversight.

Using First Call's most recent figures, B.C. invested \$398 / year for regulated spaces, which is substantially less than the Canadian average of \$838 / year (including Quebec; without Quebec, the average is \$436). Further, B.C.'s investment decreased by \$16 million between 2011 and 2012. As a result, fees are higher on average across all age groups than the rest of Canada. Although provincial subsidies do assist some parents/guardians on the very low-income level³, fees remain a critical barrier to full employment and high productivity. The premise of choice for adequate childcare does not take into account the necessity of a second income in order to finance a family in one of the highest cost of living areas in Canada.

Labour Force participation

- 1976: under 40% of mothers with children under 16 were in the paid labour force;
- In 2012: over 73% of mothers are in paid labour force and is continuing to climb; and
- The rate for mothers with a child under 3 years has increased from 28% to almost 70% in the same time period.

Child Care accessibility

- B.C. averages 24 spaces for every 100 children;
- After school care and under 3 years old care is in serious deficit;
- Very few facilities serve more than one age group;
- 93% of available childcare is commercial; and
- Child care fees as high as \$1850 per month for under 3 and up to \$1550 for over 3 care, and is the second largest expense in a family's budget.

1 2012, Province of B.C. The Families Agenda for British Columbia: Building a sustainable quality early years' strategy to support B.C. families.

2 Latest figures are based on Statistics Canada Census and National Housing Survey, 2011. Data will be updated after the 2016 Census results are calculated.

3 2015 First Call. Make B.C.'s Young Children and Families a Priority.

C CHILDREN AND FAMILY DEVELOPMENT

Parents in financial need can access B.C.'s childcare subsidy, a means-tested rate for children in various childcare settings (licensed and unlicensed) and different ages. The subsidy is scaled based on income and capped at a maximum amount with parents paying the market rate difference. Advocates for the \$10 per day childcare would prefer parents paying up to a maximum, and the province paying the market difference. There are pros and cons to this, but a significant con to the government paying the market difference is the potential for this program to run into the billions of dollars. Of course, with more parents working there will be a concordant increase in income tax revenue to government. By some estimates, up to \$104 is returned for every \$100 invested provincially plus a further \$43 for the federal government.⁴

Whatever the funding model for assisting families, the real issue is lack of quality spaces, particularly in urban economic centres. There is a deficit of spaces in those areas that have a higher population and employment opportunity. Even with the Childcare Operating Fund for centres with over 8 children⁵, the operating costs can exceed what parents would be able to pay. The operating grant of \$5.48 per child between ages 3 and kindergarten for full-time care, per month, in a facility of more than 8 children, for example isn't quite enough, particularly in areas where land is at a premium.

Operating costs are contingent on land (ownership, lease, rent), labour, materials, fees and other related business costs. Start-up costs also vary per region and per need. What is required is to concentrate extra assistance in those areas that have long wait lists for available spaces to encourage expansion of current facilities and the ability to develop others to alleviate the pressures. This would require a review of current support programs such as parent subsidies and capital grant funds for the purpose of increasing them for higher cost regions. In particular, the operating fund for childcare centres in urban regions with high land-lease costs may need to be increased to be more effective in supporting the development of more spaces.

Affordability and accessibility to quality childcare spaces are necessary for employees to be able to perform at peak productivity, confident in the knowledge that their children are cared for in a safe, learning environment. Household expenditures are necessary for a vibrant local business community. Both are necessary for a family friendly community that supports and nurtures a healthy and engaged society. With the appropriate investment by the provincial government to encourage the development of more spaces, the return on investment is a richer economic environment for families and communities.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Utilize the current capital and operational grant funding tools and, in alignment with its Families First agenda recommendations, target child care investment for facilities and spaces in those areas experiencing greater space deficits; and
2. Further, where there is capacity to expand funding with budget surplus or prosperity funding, increase the grants available to non-profit and private operations to support and increase child care capacity.

⁴ Fortin, Godbour, and St-Cerny. 2011. *Impact of Quebec's Universal Low-Fee Childcare Program on Female Labour Force Participation, Domestic Income, and Government Budgets*.

⁵ <http://www2.gov.bc.ca/gov/content/family-social-supports/caring-for-young-children/running-daycare-preschool/child-care-operating-funding>

C COMMUNITY, SPORT AND CULTURAL DEVELOPMENT

COMMUNITY BENEFIT POLICY (2016)

Background

B.C. is blessed with an abundance of natural resources. Timber, coal, natural gas, water and precious metals are available for extraction and development. The development of our natural resources will provide a stable economy and quality of life to British Columbians for generations to come. B.C. also has an Environmental Assessment (EA) requirement for projects which include:

- industrial projects: chemical manufacturing, primary metal and forest project industries;
- energy projects: power plants, electric transmission lines, natural gas processing or storage plants and transmission pipelines;
- water management projects: water diversions, dams, dykes, groundwater extraction;
- waste disposal projects: special waste facilities, local government solid and liquid waste management facilities;
- mine projects: coal and mineral mines, sand and gravel pits, placer mineral mines, construction stone and industrial mineral quarries and off-shore mines;
- food processing projects: meat and meat projects manufacturing and fish processing;
- transportation projects: large public highways and railways, large ferry terminals and marine ports; and
- tourist destination resort projects: large golf, marine, or ski hill destinations.

The Challenge

The people, communities and governments that support major projects are faced with significant challenges related to each new or expanded project.

Communities are required to provide accommodation, health care, staging and service support, recreation, social services, retail and hospitality services as well as emergency services, policing and infrastructure. Some projects have large workforce requirements during their construction stage. The addition of large numbers of temporary workers requires accommodation and transportation capacity.

Community issues and impacts are documented and articulated using a community consultation model, which is executed during the project development, assessment and approval stages, as required by the EA process.

Most major projects have a “compensate or remediate” strategy with regard to community impacts. Industry’s strategy of compensation or remediation may lead to a “wait and see” approach to community issues. This approach leaves communities with the responsibility for risk management, uncertainty and the burden of proof when seeking compensation.

Potential Solutions

One concept that has been suggested is the adoption of a strategy that will leave a community “better off” instead of compensated.

Better off at the project development level is the difference between a temporary camp with trucked in water and sewer services and a fully developed camp site that leaves in ground water and sewer infrastructure constructed to municipal standards. After the project, the site can be used for permanent development.

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Better off, at the community legacy level, could be a trust that is established to facilitate community and service organizations being able to build capacity at the local level for the long term benefit of the community.

The Chamber believes that the end result must be a balance between mitigating the risks associated with major projects and creating communities that are vibrant, sustainable and stable.

THE CHAMBER RECOMMENDS

That the Provincial Government works with communities and stakeholders to adopt a Community Benefit Legacy Policy that meets the needs of business and communities.

EQUITABLE HOSPITAL CAPITAL TAXATION FOR BRITISH COLUMBIA (2016)

A stated policy principle of the BC Chamber of Commerce Policy and Positions Manual is “government must ensure that taxes are:

Equitable – taxes should apply equally to all individuals or entities in similar circumstances; and

Broad-Based – spread over as wide as possible section of the population, or sectors of economy, as the case may be, to minimize the individual tax burden.”

Issue

Premier Christy Clark is quoted by Vaughn Palmer, July 10, 2015.

“In answer to the specific suggestion that the province should increase the annual operating subsidy for the regional transit system, she recalled how the Lower Mainland already enjoys a funding advantage over other regions on capital costs for hospitals.

Municipal taxpayers all over the province pay a tax for hospitals,” she noted, hearkening to a change that occurred under the previous New Democratic Party government. “People in the Lower Mainland don’t pay that tax ... It has always been the understanding that local governments would find a way to fund part of transit in the Lower Mainland because in the rest of the province local taxpayers pay for transit and hospitals.”

Background

Metro Vancouver does not pay a hospital tax whereas the rest of British Columbia does. Initially Metro Vancouver was forgiven the Hospital Tax so that there could be an increase in the taxation to support the regional transit system. As the taxation for transit has not been fully implemented, the Hospital Tax should be reinstated, once again ensuring that there is equal taxation throughout the province.

As well, there is inequity in how the tax is levied.

Hospital taxes are levied on assessed values of property, therefore subject to discrepancies between municipalities and even within a municipality.

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Hospital taxes are levied at a different rate for businesses than residential. The business rate can be substantially higher.

THE CHAMBER RECOMMENDS

That the Provincial Government reviews the B.C. hospital capital tax and transit property tax to ensure an equitable and fair taxation across the province.

REVIEWING REGIONAL DISTRICT ACCOUNTABILITY (2016)

Historical Purpose of Regional Districts

Regional districts were created in 1965 to meet the needs of rural, unincorporated areas that were either completely without services or were using municipal services without contributing to their funding. According to the Union of BC Municipalities (UBCM) and the former Ministry of Community Services, regional districts serve three explicit purposes:

1. to act as local governments for unincorporated areas;
2. to provide political and administrative frameworks for municipal collaboration on the provision of sub-regional services; and
3. to provide regional services.

The opt-in model of regional districts ensures local autonomy of municipalities and electoral areas and allows for flexibility in the design of service arrangements. This means that "over time, member jurisdictions can be molded and re-moulded by member jurisdictions to meet different needs and serve different purposes." (Regional District Tool Kit Fact Sheet, 2005)

The changing demographics, economic, political, social and structural conditions with a region can lead to changes in the importance of the regional district and its primary purpose. This means that every regional district is able to model itself to the needs of its constituents.

However, regional districts have recently found themselves in conflict with the private sector by expanding beyond the scope of their mandate. For example, in 2014, the Greater Vancouver Regional District (GVRD) attempted to institute market and price controls on the solid waste sector through the extreme Bylaw 280 in an attempt to build an incinerator that has since been proven to be an inefficient and expensive method for waste disposal. They also currently serve as a service provider and regulator in the solid waste sector—a clear conflict of interest.

While the GVRD was attempting to implement proposed Bylaw 280, many other regional districts quickly provided their support and intent to follow suit. This would indicate that when one regional government expands outside the scope of their mandate, it sets a precedent for other regional districts.

As seen in these examples above, regional districts have not always made the optimal decisions for their region. To ensure optimal decisions, accountability measures must be taken.

Reviews and Changes to Regional Districts

As these regional bodies have changed over time, there have been periodic reviews to assess whether the system should be changed. Recommendations from those reviews since the late 1960s have been selectively implemented. However, it has been nearly 20 years since the last comprehensive review of

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regional governments, during which time the role of these organizations has evolved considerably.

In the mid-1990s, the Province undertook a three-part reform of the *Local Government Act* that resulted in giving broad powers to regional district boards to undertake activities and services that they feel are important to their regions. The services available to regional districts since this change include:

- Water and sewer utilities;
- Recreation programs and facilities;
- Community and regional parks;
- Libraries;
- Regulatory services such as animal control and building inspection;
- E-911 and fire protection;
- Economic development and film industry promotion;
- Regional growth strategies;
- Airports;
- Television rebroadcast.

The *Environmental Management Act* also gives regional districts the responsibility for solid waste management through Integrated Solid Waste & Resource Management Plans.

The last change made to regional governance structures was in 1999, when the Ministry of Municipal Affairs consulted with the UBCM to alter the *Local Government Act* and the Community Charter. This change was conducted in partnership with local governments and generally lacked input from the business community.

With the last review being over 15 years ago, it would be prudent to review the scope, function, effectiveness and efficiency of the regional district system.

Regional Flexibility and Adaptability

While regional districts were designed to be flexible, most regional district boards also have broad sweeping control of their scope, without any external accountability. Nearly two-thirds of electoral districts have more than 50 percent of their boards appointed by municipal councils. Other regional boards are mostly comprised of directly elected representatives and, therefore, are directly accountable to the electorate for their decisions. Directors of a regional district are expected to make decisions at the board table that are in the best interest of the region—not as representative of the constituency that elected them.

There is also no external body that is responsible for ensuring that regional districts are acting within the scope of their intended purpose. While the Auditor General for Local Government (AGLG) has the ability to perform audits on regional districts, they exist solely in an advisory role, not a supervisory role and have no way of enforcing accountability mechanisms.

While there are varying degrees of accountability with regional districts across the province, it is prudent to recognize that the ability to customize service provision at the local level is important for communities across B.C. and should be maintained in balance with accountability. Due to drastic differences in communities across the province, implementing a one-size fits all solution for regional districts is not an appropriate course of action. However, flexibility should not compromise accountability—this is a key focus of this policy resolution.

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With this flexible opt-in model, the size and scope of some of these bodies have drastically changed. They have evolved beyond service provision and moved into a regulatory and policy space that the regional district system was arguably not designed for, and that exists without any certain accountability mechanisms.

As regional districts are legally considered an independent level of government, there should be direct accountability to an electorate, as there is with our federal, provincial and municipal forms of government. At the moment, only some regional districts are structured to have such accountability.

In light of the lack of external, independent review or direct accountability to constituents, the flexibility in the scope of purpose of regional districts can have unintended consequences, allowing regional districts to expand their reach far beyond what is necessary.

Existing Policy Positions

The Chamber movement in B.C. has clearly identified regional district governance as an issue for industry across the province. The BC Chamber of Commerce has already adopted policy resolutions recommending the modernization of regional district legislation, the elimination of the conflict of interest between municipal governments and regional districts, the assigning of specific service provision responsibilities and a study into the best practices for urban and rural regional districts. However, there is still an absence of policies advocating for new accountability mechanisms, which take into considerations their ever-changing role.

THE CHAMBER RECOMMENDS

That the Provincial Government, due to the consistently changing scope of regional districts and varying levels of accountability to the electorate across the province:

1. Establish a task force responsible for:
 - a. Reviewing the scope, governance and accountability of regional districts with the purpose of increasing clarity of role, effectiveness and efficiency while reducing red tape;
 - b. Establishing concrete guidelines regarding scope, governance and accountability; and
 - c. Ensuring adequate authority to enforce the above guidelines; and
2. Include a broad group of stakeholders, such as UBCM, the business community, and citizen groups amongst others, during the review process.

ONLINE MUNICIPAL VOTING (2015)

The success of businesses in B.C. is directly impacted by the policies of our municipal and provincial governments such as:

- Business tax levels, including income taxes, capital taxes, commodity taxes;
- Property tax levels, including the relative proportions to individuals and businesses; and
- Various regulations that impact the efficiency of doing business in the province and/or community i.e. employment standards, health and safety standards, environmental standards, insurance regulations.

As a province, we are looking to create a more successful business environment and economy. Measures

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such as cost reductions, improving efficiency and reducing red tape are measures to facilitate such success. The current voter participation levels in municipal and provincial elections are extremely low and signal very poor engagement of the constituents. Province-wide, in the 2014 municipal elections, turnout according to CivicInfoBC was 33.3%, hardly a clear representation of public input. CBC News posted on November 19, 2011 that, “*Municipal voter turnout in B.C. has dropped to the lowest in Canada.*” Overall, statistics from Elections BC show a decline in provincial voter participation from 77.66% in 1983 to 50.99% in 2009 (voter turnout in 2013 was slightly higher at 55.32%).

This low turnout poses the following risks:

- Lack of government accountability to implement policies that positively impact business success;
- Implementation of policies that do not represent the will of the majority of constituents, i.e. biased by minority views; and
- Further voter apathy as voters feel less ability to influence the public policy process.

Internet voting is a method that reduces many potential barriers and therefore can positively impact engagement. Internet voting has strong public support.¹ Other municipalities in Canada have previously conducted municipal Internet voting. For example, for the 2014 municipal election, the City of Kingston introduced remote voting (online and phone) for advanced voting purposes only, and saw a 33% increase in advance voting, leading to a 2.8% increase in voter turnout overall². This experience demonstrates the desire of Canadian voters to use technology for the elections process. It also suggests that there is potential over time for further gains in voter turnout. Furthermore, in B.C., both major political parties have already endorsed the concept by using online voting options for party members in leadership votes since 2011.

Internet voting can provide the following direct and indirect benefits:

- Provide easier access to time constrained voters;
- Reduce overall apathy as voters feel their vote is accurately counted and does in fact have an influence;
- Allow business owners, particularly sole proprietors, to improve their accessibility to voting;
- Enable people with disabilities to vote by themselves, easily and in secrecy; and
- It is expected that e-voting leads to more reliable results since human error is excluded.

Internet voting has not been implemented within B.C. to date because of concerns such as:

- Internet hacking;
- Technical difficulties;
- Difficulty in verifying voter identification; and
- Lack of evidence that internet voting will increase the turnout at the polls.

In this day and age of technology, the internet is an accepted method of communicating sensitive and confidential information safely. The business community transacts routinely via the internet with security. Municipalities in Ontario have already demonstrated their ability to design effective and secure systems, and this is constantly improving with audit and verification procedures. In October 2014, about one-quarter of the municipalities in Ontario (98 out of 414) offered internet voting in municipal elections³. Voters could choose, which voting channel they wanted to use. The municipality of Markham

¹ Elections Canada has shown considerable support for online voting, as noted in a 2009 report on the matter.

² City of Kingston: Report to the Administrative Policies Committee (Report Number AP-15-009)

³ According to Ace Project: <http://aceproject.org/ace-en/focus/e-voting/e-voting-opportunities>

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has already effectively dealt with voter identification with a system that required login to the system prior to registering. The voters were issued an access code and had to provide their address and date of birth to mitigate this difficulty, similar to applying for a homeowners grant.

There may exist new risks with internet voting, but all systems have risks and generally these risks can be addressed and mitigated over time.

In 2012, the Chief Electoral Officer formed the Independent Panel on Internet Voting, following an invitation of the B.C. Attorney General, to examine opportunities and challenges related to the potential implementation of internet-based voting as a channel for provincial and municipal elections in B.C.⁴. The panel recommended that the Province not implement internet voting at this time. However, it did conclude *“that internet voting has the potential to provide some benefits for administering local government elections and provincial elections in British Columbia, and that the most significant potential benefit of internet voting is increased accessibility and convenience for B.C. voters.”* Although, current evidence does not consistently demonstrate a significant increase in voter turnout with internet voting, there is not sufficient data to negate the potential positive benefits. In fact, technology adoption has commonly occurred on a bell curve, with limited early adoption before the majority follows. Internet voting is likely to follow the same model, provided that good communications tools are in place to support the success of early adopters. With regards to security, the issues can be overcome with a focus on secrecy of the vote, verifiability, and voter authentication.

The Panel’s report stated that *“weighing the benefits and challenges to implementing internet voting in specific circumstances is the role of policymakers.”* The Chamber believes that the panel did not take a long term view in its report. The panel also provided useful recommendations on how the Province can implement internet voting:

- Take a province-wide coordinated approach to internet voting;
- Establish an independent technical committee to evaluate internet voting systems and support jurisdictions that wish to implement approved systems; and
- Evaluate any internet voting system against the principles established by the panel (which includes Accessibility, Ballot anonymity, Individual and independent verifiability, Non-reliance on trustworthiness of the voter’s device(s), One vote per voter, Only count votes from eligible voters, Process validation and transparency, Service availability, and Voter authentication and authorization).

If we are committed to reduction of red tape and generating efficiencies, on-line voting can be an effective tool to facilitate such success. By maintaining the current legislation and processes under Elections BC we are effectively avoiding the opportunities to eliminate unnecessary labor costs and streamline the overall voting timeline process (from ballot creation to completion of count verification and reporting). This could save a significant amount of tax dollars and public resources.

Conclusion

The potential benefits of internet voting can reduce barriers to access and positively align the voting system with other preferred technology increasingly being used by a large component of the population.

THE CHAMBER RECOMMENDS

⁴ <http://www.internetvotingpanel.ca/docs/recommendations-report.pdf>

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That the Provincial Government:

1. Commence a plan to implement a province wide approach to an electronic ballot system for the 2018 municipal elections;
2. Amend the appropriate legislation to allow for the option of electronic ballots in municipal elections; and
3. Establish an independent technical committee to evaluate internet voting systems to ensure the Elections BC criteria are met (i.e. accessibility, Ballot anonymity, Individual and independent verifiability, Non-reliance on trustworthiness of the voter's device(s), One vote per voter, Only count votes from eligible voters, Process validation and transparency, Service availability, and Voter authentication and authorization).

PROVIDING IMPROVEMENT DISTRICTS WITH EQUAL ACCESS TO GRANTS (2015)

Issue

Over 200 Improvement Districts across B.C. operate as a form of local government under the Local Government Act.¹ These Improvement Districts serve over 307,500² people and their businesses, majority providing domestic water. All Improvement Districts must comply with provincial regulations, including the Drinking Water Protection Act.³

Current government policy does not allow improvement districts to access grant funding to meet rising infrastructure demands placed on them through the Act, unless it is through a regional districts or municipality. Provincial government policy then requires shifting ownership of improvement district systems to the regional districts upon successful completion of the project.⁴ As a result of this policy, improvement districts cannot access federal and provincial funding that would allow them to meet rising infrastructure demands. Instead, they must rely on taxation to secure capital funding. The burden this policy places on the residential and business tax base within improvement districts is of increasing concern and creates unnecessary regulatory burdens.

Background

Improvement Districts were first established in the 1920s as a means to publicly manage several large irrigation systems in the Okanagan Valley and provide access to provincial borrowing programs.⁵ In 1965 the B.C. government began forming an additional layer of local government called Regional Districts to provide broader services to larger regions.

In 1979, in recognition that Improvement Districts had more in common with local governments than they had with private water utilities, the legislative provisions relating to Improvement Districts were removed from the Water Act and responsibility for all Improvement Districts was transferred from the Ministry of Environment to the Ministry of Municipal Affairs. Ten years later, a ministry Task Force on

1 http://www.bclaws.ca/Recon/document/ID/freeside/96323_00

2 Bish, Robert L. *Local Government in British Columbia*. Fourth Edition. Richmond, BC. Union of British Columbia Municipalities. 1998. p. 70

3 http://www.bclaws.ca/Recon/document/ID/freeside/00_01009_01

4 Ministry of Community Services. *Improvement District Governance: Policy Statement*. 2006. p. 12. Retrieved from http://www.cscd.gov.bc.ca/lgd/gov_structure/library/Improvement_District_Governance_Policy.pdf

5 Ibid p2

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Rural Services and Governance, created a report with the first mention of what would later become government policy. “Regional districts have access to grant programs for study and capital cost purposes,” the report noted, and “improvement districts do not have direct access to these grants.”⁶ While this report was never published, these recommendations have guided ministry policy ever since.

In 2006, the then Ministry of Community Services created the Improvement District Governance Policy,⁷ which directly references the 20-year old practice of restricting access to funding as a means of shifting ownership of Improvement Districts to the Regional Districts. However, there were 240 Improvement Districts in the province when that report was written almost a decade ago and in 2015 there are still 216⁸ Improvement Districts, all struggling with rapidly increasing capital cost demands.

Current Situation

Improvement Districts must ask their Regional District to apply on their behalf for funding for critical infrastructure upgrades to rehabilitate water and sewer systems. If the application is successful, both entities and their communities and businesses must agree that ownership of the system will shift to the Regional District. This is under the assumption that regional districts have increased efficiencies because of an economy of scale. This has not been the case.

Regional Districts are not necessarily better situated to assess the infrastructure needs of Improvement Districts and balance their upgrades against other regional priorities. In one example, the Village Point Improvement District (VPID) located on Mayne Island approached the Capital Regional District (CRD) in 2006 to review their existing systems and provide recommendations for improvement. From 2006 to 2012 the VPID worked diligently with the CRD to move critical sewer and water projects forward with the objective of the CRD taking over responsibility from the VPID. However, after years of delay and a CRD estimate for the sewer upgrade alone of \$7.6M to \$9.49M, the VPID was forced to withdraw from the collaboration and complete their projects on their own, to health authority standards, with bank loans and withdrawals from their accumulated reserve account. Note, in true Improvement District manner, VPID trustees and employees oversaw all the work and used local labour wherever possible. Their combined cost of sewer upgrades and an additional project to replace mainline pipes was just \$1.5M.⁹

Costs to operate tend to increase under regional districts. Improvement Districts are operated mainly by volunteer boards while Regional Districts have paid staff and boards, resulting in increased costs for operations. The Ministry of Community, Sport and Cultural Development does not track in general how costs change when Improvement Districts convert to Regional Districts so may be unaware of this fact.

For example, the Central Coast Regional District took over the Bella Coola Improvement District. After receiving grants, totalling two-thirds of the costs to undertake significant upgrades to the infrastructure, operational costs have skyrocketed and the taxes and tolls to businesses alone have increased 668%. Tolls alone went from \$162/year to \$583/year and an added \$500/year parcel tax that did not exist prior to the CCRD control.

Data supplied by the Thompson-Nicola Regional District demonstrates that, across the board the costs to the tax payer associated with the regional district assuming and operating an improvement district’s water

6 Ibid p5

7 http://www.cscd.gov.bc.ca/lgd/gov_structure/library/Improvement_District_Governance_Policy.pdf

8 Civic Info BC. Find Organizations - Improvement Districts. 2015. Retrieved from <http://www.civicinfo.bc.ca/111id.asp?showall=yes>

9 Personal communication, May 6, 2015 VIPD Story and update

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systems, always increases significantly, in some cases by 40%.¹⁰

Conclusion

Currently, responsibility for compliance to the Drinking Water Protection Act and regulations within the boundaries of an improvement district must be borne by the tax base alone. Regional Districts can access government grants to both plan for, and implement the structures to meet these costs. Improvement districts do not have this financial assistance and must rely solely on taxation.

Even so, with no substantial reduction in the number of improvement districts, the government's policy of shifting these systems to regional districts has largely failed.

Furthermore, improvement districts, with their volunteer structure and high level of business representation on the boards, do not form an additional costly bureaucratic layer of government. In fact, they are an efficient means to deliver a critical infrastructure service that supports local economies.

Yet, without grant funding the cost for upgrades and compliance to the DWPA hits businesses hard. Fully 100% of the costs must be borne by the tax base, and those who are expected to benefit the most and can afford it the most, will be expected to carry the lions share. For example, North Saltspring Waterworks District reports that they expect to have to borrow up to \$8.4 million to build a new treatment plant. This will result in increases to businesses (and a corresponding increase to rate payers) of up to 76.8% in tolls and up to 69.8% in parcel tax for 25 years - until the loan is paid off. Should they be able to access two thirds of the cost in grants - as is currently available to regional districts - you can reasonably expect that increase to be reduced proportionately.¹¹

Amending the existing policy to allow improvement districts equal and direct access to funding need not increase funding allocations, nor require new funding sources. In fact, all 216 improvement districts operating in B.C. would be able to begin the scheduled, phased-in grant application. This tends to be a multiyear process often beginning with identifying next steps through a feasibility study or an engineer's report ensuring affordability and compliance to the Ministry of Health's requirements.

THE CHAMBER RECOMMENDS

That the Provincial and Federal Governments:

1. Remove all barriers to improvement districts receiving equal and direct access to federal and provincial grant funding; and
2. Enable improvement districts to access capital funding without ownership of their systems shifting to regional districts.

PROVINCIAL ROLE IN MUNICIPAL RESTRUCTURING (2015)

Background

The local government system in British Columbia is comprised of municipalities, regional districts and

¹⁰ Personal communication, May 6, 2015 updating TNRD Report 2010 retrieved from <https://tnrd.civicweb.net/document/57009/TNRD%20Water%20Systems%20Newsletter.pdf?handle=31C741FFF4D0413DBF461709B6D62763>
¹¹ Personal communication, May 22, 2015 Anne Williams, North Saltspring Waterworks District

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other special purpose bodies such as improvement districts and the Islands Trust. The legislation that applies to the province's largest municipality, the City of Vancouver, is contained in the Vancouver Charter. Prior to January 1, 2004, the primary legislation that applied to all other municipalities, regional districts and improvement districts was the Local Government Act. On January 1, 2004, the provincial government changed the legislation for municipalities and created a separate Act for them, The Community Charter. There are a number of situations in British Columbia where urban municipalities share common boundaries such as is the case with the City of Vernon and the District Municipality of Coldstream. In addition, municipalities and unincorporated areas in close proximity come together under a federated governance structure referred to as regional districts. The result is electors within a specific geographical area may receive services from a municipality and/or a regional district or even from a separate entity those local governments create in order to manage a specific service. This causes confusion among electors, business owners and investors as to who is providing which service and how it is funded. This works against the principle of having an accountable and transparent government which is a hallmark of good governance.

It is clear that this will become an increasing feature of B.C.'s government landscape as we continue to develop.

As neighbouring communities continue to grow, or as unincorporated communities reach a critical mass, decisions must be made as to the next step these communities must take in their evolution. As it stands at the moment these decisions are taken at the local level. While there is some logic to that the challenge for many is that these decisions are made in the absence of sound information and fact. This means that the decision often results from a lack of understanding of the benefits that would accrue and is often a result of self-interest.

There is also the issue of equitable funding by all those who may benefit from a service particularly in the case of those who live just outside the boundaries of a municipality but still benefit from all the services, infrastructure and programs paid for by those within that municipal jurisdiction. Aside from applying an inefficient tiered user fee schedule where those living outside a municipality pay more than those within a municipality, there is very little that can be done to address that inequity. In some cases, where individuals live just outside an incorporated municipality, they benefit from all that a city provides while not having to pay for any of it. In fact, their cost is subsidized by city taxpayers, a large part of which is covered by the businesses in that municipality.

Amalgamation is one way in which to address the issues referenced above but it is a rare form of restructuring in British Columbia. The most recent amalgamation was the merger of Abbotsford and Matsqui into the City of Abbotsford in 1995. Under the *Community Charter*, the forced amalgamation of municipalities is prohibited.

The Community Charter references the issue of amalgamation of two municipalities under section 279 but only as it refers to the mechanics of such amalgamation and the requirement for approval in both jurisdictions. Specifically, it reads:

(SEC 279) If a new municipality would include 2 or more existing municipalities, letters patent incorporating the new municipality may not be issued unless;
(a) a vote has been taken in accordance with section 8 of the Local Government Act separately in each of the existing municipalities, and

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(b) for each of those municipalities, more than 50% of the votes counted as valid favour the proposed incorporation.

The referendum procedure is to be instigated by the respective municipalities, though it can also be instigated by the initiative of the provincial minister responsible, if the minister is of the opinion that those persons should, in the public interest be incorporated into a new municipality.

There has been academic research on the amalgamation of adjacent municipalities, some of which indicates those municipalities may function better as a single unit (Patrick Smith, Simon Fraser University, 2004). Other studies have suggested that municipal amalgamation has its drawn backs. Highlighted in academic writings include Halifax Regional Municipality (HRM), because it is the only large scale amalgamation in North America to have been studied from the outset by a team of academics, a team, moreover, that received high levels of co-operation from the authorities of the new municipality.

Bob Bish of the University of Victoria was a key member of the team, which was headed by Dale Poel of the Dalhousie School of Public Administration that undertook a study on HRM. Their study, which covered 1996-2000, was financed largely by the Donner Canadian Foundation, a private foundation which supports important public policy work in this country. The general outcome was that amalgamation resulted in an increase in costs and less political responsiveness to area specific issues.

The study of these outcomes is useful but the short timeframes of each of these examples, with amalgamation dates ranging from 1972 to 2003, is problematic. It could be argued that the challenges these organizations have faced are merely a result of short term transitional changes as opposed to any long term consequences.

It is also important to note that an example of amalgamation that has resulted in increased cost and a less responsive municipality does not mean that amalgamation, by definition, will lead to these outcomes. Indeed, the research into examples such as Halifax should not be confused with a study of amalgamation but should serve as a template for how not to amalgamate. We can and we will make sure that amalgamations in B.C. do not make the mistakes that saw wage levels increase and that saw a lack of focus and structure on ensuring that the public are well served by the new entity.

Outside of referencing how an amalgamation could be considered, what is not referenced under the Community Charter is how regional governance could or should be reviewed. The value of such work in advance of any amalgamation or alternative local governance restructuring decision including municipal boundary expansions, is that voters would have greater knowledge of the risks and benefits association with any restructuring such that they could make an informed decision at the ballot box.

The challenge is that undertaking such a study is costly and while one local government may be interested in exploring the issue with a desire to create a more transparent and efficient regional governance structure, the electors within the given jurisdiction are reluctant to completely fund a study that others, outside of defined municipal boundaries may benefit from. Initiating such a study, even with some assistance by the province (Restructure planning grants are available but only to a maximum of \$40,000) can and does result in conflict with the elected officials of adjacent jurisdictions which undermines the need to have a harmonious relationship in order to manage the delivery of services under current regional district legislation.

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The result is that local government elected officials avoid the issue all together so as to maintain a reasonable relationship with their neighbors even though there may be significant benefits to electors from regional governance restructuring.

The requirement for municipal amalgamation to be a self-generated initiative, as per the Community Charter, perpetuates a growing problem of inefficiencies in urban centers. Fractured governance has become entrenched in municipal self-interest and may be creating unfortunate circumstances for urban centers and electors.

As noted in previous Chamber policy, infrastructure investment funds are generally best applied to projects that are regional in scope. Generally, those types of projects require a cooperation and partnership not always found in smaller neighbouring municipalities. The danger is that millions of federal dollars will be poorly invested due to fractured municipal structures and the inability of the smaller entities to come to the table with large scale, regional projects that provide lasting economic benefits beyond any one specific municipality.

Previous Chamber policy also noted that another example of inefficiency is the application of Federal funding formulas. Funding formulas for federal programs are generally population-based using municipal boundaries. Yet challenges addressed through the funding programs, such as homelessness and transportation, are in reality regional issues in areas with immediately adjacent municipalities or electoral areas. Fractured local governments in urban settings lose out on available funding to adequately address important social issues on a large scale and/or often fail to co-operate in the effective implementation of regionally beneficial investments of federal or federal/provincial dollars.

Where municipalities fail to examine the question of amalgamation or other changes that could improve regional governance for the benefit of the greater community and business sector, the Minister responsible should have the authority in specific situations to initiate a regional governance review where they believe it to be in the best interest of the region and province as a whole and act on the recommended outcome of such a review.

THE CHAMBER RECOMMENDS

That the Provincial Government amends the Community Charter to:

1. Allow the Province to undertake a local government regional governance review, when at least one of the municipalities making up at least 50% of the regional population or 50% of the assessment base within a region, requests such a review; and
2. Include an option for instigating municipal restructuring by order of the Province where a clear benefit exists.

REBALANCING MUNICIPALITIES AND REGIONAL DISTRICTS (2015)

Issue

Local governments, both municipalities and regional districts, govern communities around the province. Growing cities, as well as legislative changes over the years, have changed how we are governed by such

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entities.

In 2003, municipal governance was modernized with the Community Charter.¹ The Community Charter set out principles for municipal-provincial relations as well as gave municipalities' direct authority and accountability in regards to governing their respective municipalities.

Regional districts, which were created in 1966, were intended to manage issues that transcended municipal borders and to be the local government for the 95% of the provincial land area that was outside of municipal boundaries. The Local Government Act² describes the corporate power to make agreements respecting a wide array of services, regulation and property. In practice regional districts have provided services through authority derived from the Local Government Act, letters patent and since the late 1980s through Service Establishment Bylaws. The commonality between regional districts is that they all have responsibility within the province to provide local government services to unincorporated areas within their boundaries, and regional or sub regional services within municipalities included in their geographical area. Regional districts are governed in a complex manner, which includes weighted voting. Directors are appointed from their respective municipalities, and within the unincorporated areas, (called electoral areas) directors are directly elected to the Regional District Board. The number of directors as well as voting strengths of each are calculated by population. Generally, each local government receives one vote for every 5,000 residents, or portion thereof, in addition, each municipality receives one director for every 25,000 people, or portion thereof. In the example of the Capital Regional District, this formula prescribes 24 directors with a total voting strength of 81.

Business Issue

Regional districts are, through responsibilities stipulated within the Local Government Act and through the delivery of local, regional and sub-regional services within their boundaries, a large and important government structure in our communities. In most regions, the regional district is significantly larger in both employees and budget than any individual municipality and has direct affect through its operations on business.

Regional districts need to be held to a similar accountability and achieve efficiency in the use of taxpayer dollars. The Local Government Act does not work well with the new Community Charter and the balance between these two levels of local government has been lost

Loss of Balance

Regional districts were intended to govern the unincorporated areas and provide services and opportunities for collaborative service delivery to municipalities. The act foresaw that delivering some service throughout a region including within a municipality could be efficient and made accommodation for that process. In many areas, regional services such as water, sewer, and waste management has been mandated by the Province or agreed to by the various municipalities and electoral areas. As the population of the province grows from 1.8 million in 1966 to 4.6 million and 45 new municipalities added since 1966, there are many more adjacent communities. The Local Government Act was not designed to function in this environment and needs to adapt.

The Community Charter was developed in 2003 and it provided both new powers of taxation to municipalities with accompanying accountabilities. One of the most startling of imbalances is that

1 http://www.bclaws.ca/Recon/document/ID/freeside/03026_06

2 [http://www.bclaws.ca/civix/document/LOC/complete/statreg/--%20L%20--/Local%20Government%20Act%20\[RSBC%201996\]%20c.%20323/00_Act/96323_07.xml](http://www.bclaws.ca/civix/document/LOC/complete/statreg/--%20L%20--/Local%20Government%20Act%20[RSBC%201996]%20c.%20323/00_Act/96323_07.xml)

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municipalities have to conduct a referendum to borrow funds (Elector assent). Regional districts can achieve elector assent by receiving support from member councils rather than consulting the voters. For example, a community may need to replace an existing bridge and in order to borrow funds to replace that bridge (\$40 million for example) they will have to conduct a referendum process to have the borrowing approved. In contrast, a regional district building the same bridge would only have to receive the support of affected city council

Local governments whether they are regional or municipal should have similar accountability to taxpayers.

Service Agreements

Regional districts have a variety of service agreements with municipalities. Indeed, these letters of agreement number in the 10s or hundreds for each regional district. A regional service delivered by a regional district is now usually through a Service Establishment Bylaw, agreed to by every entity involved in the service (i.e. each municipality, electoral area and First Nations) and approved by the Province. In Metro Vancouver, with 21 municipalities one electoral area and one treaty first nation, a region-wide service would ideally be provided through one agreement (bylaw) but could be provided through a variety of separate agreements. This is all further complicated by the variation in the service delivery may vary from municipality to municipality within the service.

The regional districts were created in 1966 and since then, the municipalities have transformed, the population has increased by 3 million people, 45 municipalities have been added and regional districts remain bound by letters patent drafted in 1966 through to the mid/late 1980s, and since then many letters patent have been converted to Establishment Bylaws and new services have been created by new Establishment bylaw (one bylaw per service, regardless of the number of municipalities or electoral areas). The result of this extremely complex method of managing regional services is that the administrative burden is overwhelming and service delivery extremely complex and any potential efficiencies possible through operating on a larger scale are hampered by the structure.

Conflict of Interest

The regional district boards are made up from the elected representatives of municipalities and electoral areas in a Region. The regional district makes agreements (Adopts Bylaws) with municipalities and then manages the delivery of those services within the agreement (Bylaw). Ideally the members of the Regional Board would, when representing the region, solely operate in the best interest of the regional district. Unfortunately, the voting structure is such that they represent a block of voters inside the municipality they were elected in. This results in the directors feeling the obligation to represent their constituency. This conflict of interest at the regional district board table does not optimize regional thinking and collaboration.

In addition to the personal concerns of the directors there is a very real contractual concern. The regional district negotiates service agreement (Service Establishment Bylaws) amongst the municipalities which really results in the regional district negotiating with themselves. When considering the strongest and best way to structure a service regional politicians will often defer to weaker agreement that allows control more control by the municipalities and inefficient customization of services on a municipality by municipality basis.

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A recent court decision (Schlenker v. Torgrimson, 2012 BCSC 41³) found directors of the Islands Trust to be in conflict because they had an indirect pecuniary interest as they voted to allocate funds from the Islands Trust to a water society where they were members of the board. The directors received no direct benefit, but were considered to be in conflict none the less. As the regional district board by its nature manages relationships involving consideration with municipalities (Service agreements) the same conflict could exist. Indeed, in 2015 the Capital Regional District had difficulty achieving quorum (13 of 24 directors) to approve its annual budget.

Examples

In Vernon, in the fall of 2014, golf courses received a massive 400% increase in their water bill for reclaimed water they use for irrigation. The scale of this increase threatened the survival of these golf courses. The water rates in the region are set by the regional district and they approved a significant increase in rates. The reclaimed water rate was set at 80% of the potable water rates and resulted in an automatic rise in the reclaimed water rate. This challenged was delayed with the City of Vernon changing its own bylaw to hold rates and revisit the issue at a later date. The complex nature of the relationship with the city and regional district threatened the business viability of the two affected golf courses and the related jobs/tourism income.

In the Capital Region, an \$800 million sewage project has been in the detailed planning stage since 2004 and implementation commenced in 2012 under a complex partnership with both federal and provincial governments. One municipality in the region offered land for the treatment plant and rezoned the land to permit that use. Unfortunately, the local politicians have changed and municipality even after having approved the plan, and approved the zoning for the plant have changed their mind. As the land use authority they have that authority and effectively blocked the entire project even after tens of millions of dollar have gone into planning and the construction of two pump stations to support the plan. As the municipality has sole land use control the project cannot continue. This scenario puts at risk any long term planning that exceeds a municipal council's term in office discourages the use of Regional Services in areas where they are most appropriate such as sewage treatment.

Metro Vancouver has not been without its challenges. The recent debate on flow control, controversies in regional transportation, and lack of coordination in law enforcement are some of the most notable areas.

Summary

Regional governments play an important role in our communities by providing local level governance and service for unincorporated areas within its boundaries and delivering regional services where a regional service is appropriate. As the province grows the role of the Regional Governments becomes more important and the underlying legislation the "Local Government Act" is inadequate. The conflict of interest for Regional District directors must be resolved and taxpayers deserve a more accountable and efficient regional governance system.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Modernize the Regional District Legislation;

³ <http://www.islandstrust.bc.ca/news/pdf/newsjan132012attachment.pdf>

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2. Eliminate the conflict between municipal government and regional government through direct election a prohibition from holding a seat on both bodies; and
3. Consider assigning authorities to regional districts without the need for agreements. Particularly in the areas of waste management, water services, regional transportation and protective services.

B.C. MUNICIPAL PROPERTY TAX POLICY – FAIRER TAXATION FOR BUSINESS (2014)

Municipal Taxation

Municipal governments provide essential services in their community. These are primarily funded through property taxes. Even the most basic analysis shows that businesses pay much higher tax rates than residential taxpayers, while in many cases requiring fewer services. For example, businesses are often not included in municipal solid waste collection. This is rationalized on the basis of ability to pay. But businesses cannot vote in elections, and thus have no direct influence on their taxes. These taxes are part of overhead that must be paid regardless of revenue or profit. They are especially a barrier for start-up businesses.

The enabling legislation allows municipalities the right to set the tax rate on specified property classes: Residential, Business, Light Industry, Major Industry, Utilities, Supportive Housing, Managed Forests, Recreational Non-Profit, and Farms¹. To be fair, the municipalities do not control the rates for two portions of property taxes:

- school and hospital expenses on behalf of the provincial government; and
- regional districts to cover services they may provide.

That being said, the municipality itself still accounts for over half of property taxes².

Analysis of municipal taxation data from the website of the Ministry of Community, Sports and Cultural Development shows that the residential sector provides the most revenue, closely followed by the business sector³ for both high and low expense (based on \$ per capita) municipalities. The other sectors generate far less tax revenue, with industry and utilities representing nearly all of the remainder. Property tax is based on market value assessment, which are multiplied by the rates. Higher assessment values allow for lower tax rates.

Taxes are not the only municipal revenue stream. Other sources of income include sale of services, transfers from the federal/provincial/regional government, investment income, government business enterprises, developer contributions, disposition of assets, and other revenues.

Similarly, to revenues, municipal expenses can be separated in to different categories. These categories include: General Government, Protective Services Solid Waste Management and Recycling, Health/Social Services and Recycling, Development Services, Parks/Recreation and Culture, Transportation/ Transit, Water Services, Sewer Services, Other Services, Amortization, and Other Adjustments⁴.

1 BC Assessment. (2013, April). *Classification of Property*. Retrieved from BC Assessment: <http://www.bcassessment.ca/public/Fact%20Sheets/Classification%20of%20Property.aspx>

2 Kitchen, H., & Slack, E. (2012). *Property Taxes and Competitiveness in British Columbia*.

3 Kitchen, H., & Slack, E. (2012). *Property Taxes and Competitiveness in British Columbia*.

4 Ministry of Community, Sport & Cultural Development. (2011, December 31). *Local Government Statistics*. Retrieved from Local Government Department: http://www.cscd.gov.bc.ca/lgd/infra/municipal_stats/municipal_stats2011.htm

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Differences between Tax Rates

One striking result of analysis of the disparity between business/industrial rates and residential rates, is that it becomes significantly greater in municipalities with higher expenses.⁵ The population size of a municipality appears to have no bearing on how high its per capita expenses are, and at all population sizes there is a notable gap between high and low expense municipalities.⁶

The expense categories that appear to be the greatest at higher expenses levels are General Government, Parks/Recreation and Culture, and Transportation/ Transit.

Like expenses, municipalities with higher revenues obtain larger income from sources other than property tax. One of the largest differences between low and high expense groups is income from provincial government transfers.⁷

Disparity between Sectors

A few key questions apply to assessing the disparity between taxpayer categories:⁸

- Does the burden on municipal resources/use of service from business justify significantly higher rates than residential property tax, and if not, what does?
- What is the effect of having rates vary geographically?
- Are the economic and other effects of the disparity between the categories of taxpayer desirable, neutral, or detrimental?

Industry in particular is sensitive to high taxes, as they take their prices from international markets and must maintain competitiveness to succeed. This requires major capital investments and a political environment that appreciates the importance of the sector in supporting the British Columbia economy and the standard of living and quality of life available to the citizens of the province.

It is clear that fairness would begin with each taxpayer carrying the costs of the services they use. Their share of the cost of indirect services (amenities, infrastructure and maintenance, for example) is more subjective, as the benefits are indirect. The business pays taxes irrespective of whether their employees live in the same community. A municipality's residents control aspects of fairness and affordability trade-offs through the democratic process. However, there is a firm and persistent belief in the business community that this has resulted in systemic taxation of business and industry beyond the point of fairness.⁹

Within this systemic issue is a comparative issue, where some communities are choosing much higher rates for business and industry than others. While this may not be important for business that operate predominantly in their own municipality, businesses operating beyond their home municipalities face a non-level playing field. Businesses typically have deep community roots, and this regional disparity would appear to be evidence of exploitation of this fact.

5 Consolidated Management Consultants. (2014). What are the property rates that affect business? In *Policy Direction for BC Municipal Property Tax* (pp. 3-4). Vancouver.

6 Consolidated Management Consultants. (2014). Are the larger municipalities spending less per capita because of economies of scale? In *Policy Direction for BC Municipal Property Tax* (p. 6). Vancouver.

7 Ministry of Community, Sport & Cultural Development. (2011, December 31). *Local Government Statistics*. Retrieved from Local Government Department: http://www.cscd.gov.bc.ca/lgd/infra/municipal_stats/municipal_stats2011.htm

8 Consolidated Management Consultants. (2014). What is the ratio of (business/light industrial/major industrial) rates to residential rates? In *Policy Direction for BC Municipal Property Tax* (pp. 7-8). Vancouver.

9 Consolidated Management Consultants. (2014). Can high business rates be made fairer? In *Policy Direction for BC Municipal Property Tax* (p. 9). Vancouver.

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Any strategy for solving the issue will have to identify problematic taxation components and establish a process for rebalancing fairness and affordability. It will also be beneficial to establish a broad base of social responsibility for the financial implications of this rebalancing. One method for implementing such a strategy would be the establishment of a revenue neutral tax adjustment, which would include discounts for those business and industries whose taxation situation is most out of alignment. A model for this tax has been developed,¹⁰ which enables a progressive realignment of tax rates for all stakeholders in a municipality and yet allows specific realignment for the most challenging tax rate deviations faced by businesses and industries.

This model was applied to the 40 municipalities with the highest tax rates for light industry, major industry, and/or business. In 75% of these cases, a 10% reduction in industrial and business rates results in a minimal increase of residential rates. About 25% of these cases would have somewhat larger impacts by comparison, though the majority of these were from the municipalities with the highest expenses – thus, if these higher-spending/higher-rate municipalities were operating closer to the levels of other municipalities, the residential rate increase could be greatly moderated.

Lowering Expenses, Shifting Revenues

While many approaches to increased fairness could be considered, we advocate one that simply irons out the greatest disparities, recognizing that perfect fairness cannot be achieved. We also advocate an approach which gives the municipalities the greatest freedom to decide their level of service, and simply force residential taxpayers to pay for the extra when the municipality chooses a benchmark of municipal service above a circumstance-adjusted average. Municipalities in lower spending half would not be affected. Exceeding the standard would trigger the municipal auditor general to investigate the degree to which they are driven by anything other than a choice of the community. Following this analysis, the standard should be reset to adjust for reasonable spending differences. At that point, to the extent a municipality chooses a higher expenditure level than the standard, the responsibility for the higher taxation this necessitates would shift in part from non-voting businesses and industries to voting residents.

The benefits resulting from bringing the expenses of higher-spending municipalities down are significant. If higher spending municipalities performed similarly to lower-spending ones, the total savings per year amounted to \$736,174,487.¹¹ Municipalities of similar population size do not necessarily need to differ in spending patterns; should they choose to, the cost should be borne by those with the power to affect them, the voting residents, instead of putting the burden on the business sector. This will result in a more productive economy where businesses can thrive and increase employment and service.

Additional Revenue and Fairness

It also needs to be remembered that municipalities have or are seeking other revenue sources, driven by long term under-investment in infrastructure and infrastructure maintenance. While not all of the options are business-friendly, the Union of BC Municipalities (UBCM) and other reports on the matter advocate a number of options.¹² The report presents some options for adjusting the system to be less reliant on property taxes. Among the suggestions are sharing expenses with higher levels of government, and designing regulations around improving value for expenses so as to provide the same services for less. Another focus area is improving the provincial economy through local efforts and having local

10 Consolidated Management Consultants. (2014). A model for lowering the tax burden on business. In *Policy Direction for BC Municipal Property Tax* (pp. 9-10). Vancouver.

11 Consolidated Management Consultants. (2014). Implementing a Municipal Standard. In *Policy Direction for BC Municipal Property Tax* (p. 12). Vancouver.

12 Select Committee on Local Government Finance. (2013). *Strong Fiscal Futures*. Union of British Columbia Municipalities.

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governments share in the revenues from that growth, along with the expansion of municipalities' revenue tools through sharing certain provincial tax revenues. The final policy direction is the ongoing improvement of municipal governments themselves through two-way discussions with businesses on taxation, and the development of best practice materials for municipalities among other initiatives. Another avenue for revenue generation identified in the UBCM report is to increase the sale of municipal services, particularly in the energy sector. Other non-tax revenue streams include commercial garbage collection, charging franchise fees to utilities, and water pricing.

A separate report by the Think City Society also discusses new revenue sources and opportunities for economic development.¹³ Similarly, to the UBCM report, one of the primary points is the sharing of provincial tax revenues and the creation of new municipal taxes. The provincial sales taxes, property transfer tax, carbon tax, provincial and federal gas taxes, and the sin taxes all generate funds that could be (or already are) shared with municipal governments. As for new taxes, the report proposes sales tax, gas tax, sin taxes, and road pricing as areas that could be taxed locally in addition to existing taxes.

For the most part, the business community is not supportive of adding provincial and federal taxes, or anything that adds to taxation complexity. However, a number of proposed revenue initiatives, particularly those of a fee for service nature, are supported.

Conclusions

In conclusion, placing the strain of high municipal expenditures on to non-voting taxpayers is not only challenging in regard to a principle of fairness, but can also be detrimental to the economy as a whole. It would appear as entirely reasonable that the ratio between residential and business/industrial tax be rebalanced to reflect a provincial standard for business/industrial taxation. To do otherwise encourages spending by municipalities being laid off to the commercial property taxes.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Initiate a collaborative review process, including the Union of BC Municipalities and the BC Chamber of Commerce as participants, to examine ways to:
 - a. Increase the efficiency of local municipal governments; and
 - b. Improve the fairness of the business tax burdens.

IMPROVING THE EFFICIENCY AND ACCOUNTABILITY OF LOCAL GOVERNMENT IN B.C. (2014)

Communities across B.C. are expressing a growing level of concern regarding budgeting and spending decisions that are resulting in increased property tax bills. When we combine that with calls from local government for additional revenue streams to deal with pending infrastructure challenges, the business community is expressing significant concern over the lack of transparency and accountability at the municipal level.

This concern not only speaks to the lack of transparency within many communities but also across the

¹³ Fletcher, J., & McArthur, D. (2010). *Local Prosperity*. Think City.

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province. With 160 municipal governments, 27 regional districts, and 231 Improvement Districts it is critical that there is an arms-length mechanism to review how they interact with the population, stakeholders or higher levels of government regarding how they spend taxpayer money.

Many local government outputs - such as the services municipalities provide - are highly visible. On the other hand, local government processes - how decisions are made - may be quite opaque. This situation is further exacerbated by the fact that the institutional incentives and information shortcuts that facilitate accountability at the provincial and national level are largely absent. In addition, use of FIOPPA provisions and in-camera meetings are readily available to avoid public scrutiny and there seems no way to determine (other than cumbersome appeal provisions in the former case) if the refusal of information under FOIPPA and the use of in-camera meetings for specific subject is justified, particularly when the subject of the in-camera meeting need not be revealed. A mechanism to resolve this is required – perhaps an ombudsman role.

Challenges with the current system

Over recent years the Chamber has passed a number of resolutions that recognize the concerns of the business community regarding specific aspects of what should be viewed as a systemic problem. What has become apparent is that many of these challenges are truly provincial in that they are being expressed by communities of every size, in every region and irrespective of the economic base of the community profile. These issues are clearly systemic and can be broadly summarized as:

- Ability of local governments to provide virtually any service or enter any business they desire through the Community Charter;
- Lack of accountability – low voter turnout means very little public scrutiny of council decisions;
- Capacity – facing increasingly complex issues (social issues, homelessness, green energy issues) and struggling to deal with the challenges of an open, global economy; and
- Funding – limited funding sources, how do municipalities utilized alternate service delivery in a way that protects the service while also protecting the municipality from too much risk?

Performance measurement

Municipal decision-makers want to be efficient and deliver value for local services. Taxpayers need to know how their tax dollars are spent and how their services compare both year-to-year and in relation to other municipalities. The only way for this to occur is to determine what constitutes core services for municipalities and to provide a comparable cost for these services – something that does not exist in a pre-defined format at present in B.C.

This does not mean that the Chamber advocates that local governments should only provide a static set of core services. Rather, the Chamber believes that there is a range of common services that can effectively be measured based on objective, result based criteria. However, for non-mandatory services, a rate of return on ratepayers' equity should be required to be published. One example is a city which claims its district heating project is a financial and “green” gem but refuses to disclose the rate of return on city invested funds, relying on an FOI exclusion.

Performance measurement is not new. It has been in place for several years in different forms in many jurisdictions around the world. Every country in the Organization for Economic Cooperation and Development has a policy at the national level supporting performance measurement. In the United States, the federal government and more than 30 states have legislated performance measurement for their departments and agencies. In Canada, the federal government, eight provinces (including B.C.), and two territories have formal systems of performance measurement.

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While the Chamber recognizes that the Community Charter does place some reporting requirements under Division 5 – Reporting of the Charter¹ these are extremely limited. Indeed, the Charter goes no further than to require that:

98 (2) The annual report must include the following:

- (c) a report respecting municipal services and operations for the previous year;
- (d) a progress report respecting the previous year in relation to the objectives and measures established for that year under paragraph (f);
- (f) a statement of municipal objectives, and the measures that will be used to determine progress respecting those objectives, for the current and next year

The Chamber does not believe that this goes far enough in introducing a level of accountability and scrutiny to municipal decision making. Just as importantly, it does not encourage best practices between municipalities, nor provide individual municipalities with the tools and resources they need to inform decision making to better serve their communities.

While the Chamber recognizes the difficulty in comparing municipalities given variations in geography, economic base, population, and a range of other factors there are ‘core’ services provided by local governments that can be benchmarked and measured against common goals and criteria.

Indeed, if we look to Ontario we see the development of a system that measures 54 performance measures across 12 core municipal service areas. These service areas are:

- Local Government;
- Fire;
- Police;
- Roadways;
- Transit;
- Sewage;
- Water;
- Garbage;
- Parks and recreation;
- Libraries;
- Planning; and
- Other.

These service areas are then further broken down into sub-measures that are measured against objective criteria regarding their efficiency and effectiveness.

Fire

2.1

a) Operating costs for fire services per \$1,000 of assessment.

b) Total costs for fire services per \$1,000 of assessment.

2.2 Number of residential fire related civilian injuries per 1,000 persons.

2.3 Number of residential fire related civilian injuries averaged over 5 years per 1,000 persons.

¹ http://www.bclaws.ca/EPLibraries/bclaws_new/document/LOC/freeside/--%20C%20--/Community%20Charter%20SBC%202003%20c.%2026/00_Act/03026_04.xml#part4_division5

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2.4 Number of residential fire related civilian fatalities per 1,000 persons.

2.5 Number of residential fire related civilian fatalities averaged over 5 years per 1,000 persons.

2.6 Number of residential structural fires per 1,000 households.

The provincial government already has comprehensive performance measures across all ministries. These measures ensure that government remains accountable to clients and the public. More importantly the information allows government to improve outcomes and inform and enhance decision-making and the utilization of scarce resources. The Chamber believes these outcomes would be beneficial to local governments as well.

Local governments are correct to state that the financial challenges they face are significant and only going to become more acute as we look to upgrade our aging infrastructure. With limited financial resources and with only one taxpayer it seems critical that the first step to addressing local government's fiscal challenges is ensuring that they have the appropriate measures and tools to make well informed and focused decisions. These tools would result in decisions that are driven by outcomes and efficiencies within and between municipalities rather than the focus on simply providing additional revenue.

The Chamber believes that this would be achieved through a mandatory reporting system on predetermined core services. Such a requirement would go a long way towards providing the tools needed by local government to better serve their communities while also developing a culture of sound fiscal decision making while promoting balance between the level of taxes paid and the services consumed.

THE CHAMBER RECOMMENDS

That the Provincial Government works with UBCM and the Chamber to develop:

1. A benchmarking system that outlines core services that are applicable across municipalities of every size, of every economic base and of all regions of the province;
2. Core metrics based on appropriate measures that allow for cross-municipal comparisons;
3. For all non-core business activities and projects undertaken by a municipality, a cost-benefit evaluation of taxpayers' equity be required to be published annually;
4. A mechanism to be put in place to determine if the use of in-camera meetings and FOI refusals is appropriate in specific cases raised by members of the public, without the formal procedure now required in the case of FIOPPA; and
5. An expanded scope for the Municipal Auditor-General to review the quality of benchmarking and cost-benefit evaluations being made public.

RE-INSTATEMENT OF THE BUSINESS VOTE IN B.C. (2014)

Under the Community Charter in B.C., municipalities are being given significantly more authority today than in the past, with no commensurate level of accountability. Indeed, B.C. is unique in terms of the degree of power and autonomy provided to local governments. When this is combined with the fact that

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in B.C. business owners and operators do not have any voting rights in municipal elections, we have seen the development of significant inequities between business and residential property tax rates.

The Chamber is concerned because studies suggest that businesses use fewer services than residential and yet, they are paying so much more. As municipalities face increased infrastructure costs, the current system will encourage municipalities to conceal the true costs from the voting residential taxpayers by further increasing the inequity by saddling businesses with ever greater levels of property tax irrespective of their usage and ability to pay.

This has significant implications not only for the business but for their employees, customers and their communities. Business owners invest significantly in our communities - acquiring or leasing real property, employing our residents, supporting social causes, and making significant contributions to their communities. It is, therefore, critical that if they are being asked to shoulder a disproportionate share of the tax load that they have an ability to influence the decisions made by council on taxation and spending.

The Chamber believes that at the municipal level this should be done by granting the right to vote in the municipalities in which they make significant investments.

A municipal business vote is the only avenue that would allow business to influence taxation levels as local governments are able to levy tax on business irrespective of the profitability of the business. At the provincial and federal level there is a focus on creating an environment conducive to economic growth. Without such an environment, businesses will not flourish and tax revenues will reflect this. At the municipal level the mill rate is set irrespective of a business's profitability. In short, poor decision that negatively impact economic growth and business profitability have no impact on the local governments' ability to generate revenue. A business vote ensures businesses are a central stakeholder in local government decision making.

There have been several projects that have proposed effective models, which would ensure fairness among businesses, equity for electors, and administrative workability. The key focus being a legitimate business, located in a municipality and paying business property tax either directly or through their lease agreement.

In the past, this concept was debated and was not successful, specifically due to concerns over verifying voter eligibility and the 'one person, one-vote' concept. The Chamber recognizes that there is significant concern over any proposal that would allow an individual to vote twice in a single municipal election, once as a resident and once as a business owner.

Indeed, if a business owner lives in the same municipality as their business is located the needs of the business will be reflected in the way in which they vote in municipal elections. It would be unlikely that a business owner who is also a resident would vote for one candidate as a resident and for another on behalf of their business.

That said there are many regions of the province where there are a large number of business owners who do not reside in the same municipality as their business. These business owners cannot be a part of the election or referendum process that will directly impact their business. This gives them no voice in the community in which they pay significant levels of taxation. To address this issue, the Chamber believes that a business vote must be introduced that will allow a business owner resident outside the municipality in which their business operates to be granted a vote in that municipality.

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There is a precedence for such a model. Residential property tax payers currently have the right to vote both in the municipality where they reside, as well as in another municipality where they own property as a non-resident owner. They may only vote as a property elector for one piece of property in any municipality, regional district or school district. We recommend that this be extended to a business owner who is not a resident of the municipality. In other words, if you have a business in one municipality and are a resident in another, you may vote in both jurisdictions.

The limited participation by business in the past has also been interpreted as insufficient public support to warrant the change. Business should have the right to vote, regardless of the preliminary number of businesses who choose to exercise that right.

In addition to the business owner not being resident in the municipality, the Chamber sees a number of other criteria being necessary to ensure the business vote is not open to fraud. These should include:

- Must have a physical location in the community;
- Must have a business licence;
- Cannot be part of a chain (only a company's head office would qualify while franchises would each be eligible);
- Must be a valid business (this could be done by cross checking business licences with their business numbers to ensure a valid, taxpaying business).

Further to this concern, the Chamber also believes that the need for business to be represented in municipal elections has increased dramatically since 1998. Local governments are expected to provide an ever increasing range of services through downloading from senior levels of government. The expansion of services provided by local government has a direct impact on the ability to meet the needs of the business community. Local governments are responsible to provide the foundation for economic growth as this is a key factor in a business' ability to attract workers, service customers, and expand their businesses. While these services are also of significant importance to the residents of a community the significant difference is that residents of a community have the ability to hold their elected representatives to account through the exercise of their democratic right to vote— business has no such right.

THE CHAMBER RECOMMENDS

That the Provincial Government allows business a voice in municipal elections by working with the business community to introduce a business vote for businesses where the business owner does not reside in the same municipality where the business property is located.

REMOVING UNCERTAINTY FROM COMMUNITY AMENITY CONTRIBUTIONS (2014)

Issue

Community amenity contributions (CACs) are becoming a feature of development in the Lower Mainland. They have grown immensely, and seem poised to continue. The amount of CACs taken by the municipal sector can be high and it is growing. In City of Vancouver report it is noted that in "...2011 approvals of additional density secured approximately \$180 million in public benefit commitments." In 2014, one project was required to pay \$148 million in community amenities. Along the Cambie Corridor, the CAC charges are \$45 per square foot (\$33,750 for a 750 square foot apartment). According to the Union of BC Municipalities (UBCM), in 2000 developer contributions (Development Cost Charges and CACs) to municipalities were \$100 million province-wide. This increased to \$720 million in 2010.

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CACs can cause a number of issues:

- affect affordability by significantly increasing costs and reducing the land available for sale;
- create barriers to entry for small developers who don't have the capacity to amortize these costs and manage the process, and so reduce the diversity of development projects;
- cause proliferation of red tape, as every municipality seems to want to take a unique approach to CACs;
- hobble an industry which provides significant employment and leads to more efficient use of land, and increased tax base;
- can be treated as general revenue when it is actually non-recurring, and so lead to ratcheting of tax rates;
- risk creating the perception of corruption because the process is not transparent; and
- there is also a lack of equity and consistency with regard to how the CACs are negotiated.

Both affordability and economic development can be impacted by CACs. In terms of affordability, the Province notes that when large CACs are extracted, developers are forced to lower their bids for land. Many land vendors will not accept lower prices and will effectively remove their land from the market. This shrinks the supply of available developable land and the number of units that can be built. As well as the direct cost of the CACs, limiting the supply of land and housing units in a province that is projected to grow 1.3% annually (1.6% in the Lower Mainland) undermines housing affordability in British Columbia indirectly, which is already the most unaffordable province in Canada.

The BC Chamber is also concerned about the economic impacts of affordability. John Winter, President and CEO of BC Chamber of Commerce, has stated that *“Without affordable places to live that are close to jobs and transit, we will have trouble competing for talented workers.”*

CACs can delay the construction of new projects and jobs. MNP Consulting in 2013 outlined the economic impacts that the development industry has in B.C. Table 1-1 summarizes the economic impacts as a whole.

Table 1-1: BC Property Development Industry – Total Economic Impacts (2012)

	Output (\$ millions)	GDP (\$ millions)	Employment (FTEs)	Federal Tax (\$ millions)	Provincial Tax (\$ millions)	Municipal Tax (\$ millions)
Direct	20,400	8,166	106,876	639	670	634
Indirect and Induced	14,664	8,812	114,668	850	553	159
Total	35,064	16,978	221,544	1,489	1,223	793

Because this tax is paid by a very small constituency and has mostly indirect effects, the risk of exploitation is high, and the need for careful implementation is clear.

Why CACs

Distinct from DCCs, CACs are attached to rezoning applications. They are justified as necessary to support a range of facilities that are excluded from consideration in DCCs, including new parks, community facilities, public art, affordable housing, daycare, etc. CACs mean these are paid for by development, not by the tax base. They are in many cases explicitly a way for the municipality to expropriate some or all of the value created by up-zoning of property.

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DCC by-laws must be approved by the Province and are allowed only to cover specific costs. There is a detailed provincial *Development Cost Charge Best Practices Guide* for municipalities and the industry that is over 100 pages.

CACs arise through municipal discretionary powers in rezoning. Councils have the right to review the impacts of projects when assessing them, and what developers offer to mitigate those impacts. This discretionary power has evolved into CACs. There is no legislation or detailed best practices guide for CACs, so there are a variety of municipal policies and approaches. They are set on fixed rate, or negotiated individually.

Fixed Rate CACs

The methodology for establishing the fixed rate CACs varies. The development industry supports needs based assessment:

- The impacts of growth are identified;
- The community infrastructure (beyond DCCs) needed to mitigate those impacts is determined;
- The costs of this community infrastructure is estimated; and
- Costs per unit, or per square foot for developers is established.

For example, Coquitlam charges a \$3 per square foot CAC based on this approach for a community centre in the Burquitlam area that was identified by the community as a need. Surrey conducts a similar needs assessment for new development areas through its Neighbourhood Concept Plan process.

More problematic are revenue-based approaches: “land value increase” and “land lift”. The land value increase approach is determined by the per square foot value of land in an area and the project is charged a percentage (e.g. 50%, 75%, and 100%) of that value for the additional density allowed. The land lift approach uses the increase in land value from a rezoning. Again, the municipality takes a percentage of the increase in value. The land lift calculation is particularly difficult to assess and negotiate, as developer pro forma can be several pages long with dozens of line items – each one debatable in terms of its value. In many instances the developer and/or the land vendor is not allowed any share of the benefits of a rezoning. Neither approach links development impacts with the fees charged.

Province’s Guide on CACs

In March 2014, the Province released a high level *Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability*. It addresses the legality of CACs and their impacts on housing affordability. The Guide also includes recommended best practices.

The Province is concerned about the legality of some municipal CAC approaches, as there is no clear legislated authority to charge CACs. In addition, section 931 of the *Local Government Act*, “... includes a number of restrictions on fees, charges and taxes that can be imposed on development applications. One provision of particular importance to rezoning applications is subsection (6).

- (6) ‘A local government, the City of Vancouver or an approving officer must not
- (a) impose a fee, charge or tax, or
 - (b) require a work or service be provided
 - (c) unless authorized by this Act, by another Act or by a bylaw made under the authority of this Act or another Act.’”

The Guide recommends that local governments pre-zone areas with density bonusing. Under Section 904

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of the *Local Government Act*, they are allowed to do this to fund growth related amenities. With density bonusing, zoning bylaws are written to allow "... a developer to build either to the "base" density or to a higher level of density, if they provide certain amenities or affordable housing, or meet other specified conditions." Some local governments are wary of using this power because it limits the flexibility they enjoy with through the rezoning process.

The Province's Guide directs local governments to ensure that their density bonusing and CAC policies:

- Are a planning tool, not a revenue tool, and that CACs be modest;
- Follow the principles of the Development Cost Charge approach, in which growth impacts, and amenities/capital infrastructure to mitigate those impacts are determined and costed out, so clearer financial targets for projects can be determined; and
- Do not base CACs on 'land lift'.

The development industry and business groups generally support the targeted density bonusing/CAC approach in the Province's Guide. Nevertheless, there is no assurance that the Guide will be followed, or little assurance regarding how the Province will monitor if local governments are following the Guide.

All of the above point to the need for complete overhaul of the CAC rules and the need for government intervention

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Introduce a robust ongoing monitoring program to ensure that its *Community Amenity Contributions: Balancing Community Planning, Public Benefits and Housing Affordability Guide* is being followed; and report its findings every year;
2. To the extent that non-compliance is identified create, in consultation with stakeholders, legislation on CACs and similar mechanisms that ensure;
 - a. Compliance with the Guide in implementation including transparency and mechanism will be adhered to;
 - b. Minimal effect on affordability/viability for all redevelopment sites; and
 - c. Provincial laws are complied with (as with Development Cost Charges).
3. Develop with stakeholders a detailed Best Practices Guide for CACs and density bonusing similar to the *Provincial Development Cost Charge Best Practices Guide* that would support the above legislative framework.

REVIEW OF REGIONAL GOVERNANCE MODEL IN URBAN AREAS (2014)

In 1966, the B.C. government established the regional district concept of local government in hopes of dealing with problems that transcended traditional municipal boundaries. These regional governments operate throughout the province as a local form of government, governed by the Local Government Act. Prior to the introduction of regional districts, land use and planning were done directly by the Province,

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whereas local services (such as fire protection and water management) were provided by independently incorporated improvement districts or municipalities under contract with the Province.

Today, there are 162 municipalities in B.C., plus 27 regional districts. Most regional districts inhabit primarily unincorporated rural areas (electoral areas). However, some urban areas, which have been deemed regionally unregulated because of numerous neighbouring municipalities, have become dependent on regional districts for certain regional responsibilities. In the Greater Victoria area alone, there are 13 municipalities with one encompassing Capital Regional District (CRD), serving a population of over 350,000. In the Lower Mainland, the regional district of Metro Vancouver (Metro) represents 24 members including 22 municipalities, one electoral area, and one treaty First Nation and serves a population of 2.3 million.

The purpose of regional districts is three-fold: they are regional governments that deliver regional services; they are inter-municipal and provide a political and administrative framework for the delivery of services on a partnership basis; and they can offer local government services for unincorporated areas.

The CRD and Metro are both considered somewhat regional district anomalies because of their highly-populated urban areas. In these two districts, the regional governments primarily provide fully regional services like water supply and air quality management. In contrast, less populated regional districts are more focused on providing local services like planning, and fire protection. While both the CRD and Metro share regional problems, the Province deals them with quite differently. Most notably, accessing capital and transportation management are two key issues handled legislatively in a different way from one another.

In 1988, the Legislature adopted the Greater Vancouver Transportation Authority Act, which was the result of extensive negotiations between the province and the regional district. This was significant in a number of respects: it gave the GVRD new powers in transit, major roads, air care and Transportation Demand Management; and provided revenue sources to match. Significantly, it removed hospital financing as a regional district responsibility as one of the swaps necessary to achieve a balanced and mutually acceptable package. In contrast, the CRD, which is experiencing significant transportation challenges, has no governing transportation body overlooking the region.

The Municipal Finance Authority Act was created in 1971 and took advantage of the emergence of regional districts and mandated that all municipalities - with the exception of the City of Vancouver and special boards - had to borrow through their regional districts. This allowed local governments, through their regional districts, to pool their assets and borrowing requests and collectively approach the marketplace producing benefits in lower borrowing costs. Thus, while the CRD's primary city, Victoria, must borrow money through its regional district, Metro's primary city, Vancouver, is not mandated to do the same.

Metro's unique agreements with the province have allowed some of its main issues to be somewhat mitigated. Particular areas of BC have grown and will continue to grow at unprecedented rates since the establishment of regional districts, including the CRD, Regional District of Central Okanagan, Regional District of Nanaimo, and Regional District of Fraser-Fort George. As these urbanized regions escalate, they may also benefit from similar agreements that the province holds with Metro.

A continuing concern of many residents in urban areas is the question of representation on regional district boards. Residents of electoral areas elect a representative to sit on the regional district board.

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Meanwhile, representation of municipal areas on the district's Board of Directors is supposedly ensured by directors who are members of municipal council and appointed by their councils for terms of three years. In other words, municipal voters have no direct voice in deciding which of their elected representatives will be on their regional district's Board of Directors.

A recent example of this need for increased accountability and better local decision-making is the concern over the proposed property tax increases outlined by BC Transit and the Victoria Regional Transit Commission in the coming years, echoing the concerns raised in the lower mainland over tax increases by Translink in 2010. While other regions are also experiencing unsustainable increases, the CRD's example illustrates the problem most vividly. As published, the increases reflect a more than doubling of the property tax portion from just over \$60 million in 2009/10 to over \$113 million in 2015/16, increases that will hit businesses in the region particularly hard.

While the business community supports the goals of public transportation and the principles of sustainability, there are significant concerns that such increases are financially unsustainable. This most recent example continues to call for the formation of a regional transportation authority, one that encompasses all transportation modes and provides for increased accountability and local decision-making.

It appears the regional governance model does not serve the majority of districts well. The fine-tuning of the regional governance structure to meet the needs of particular areas is too short term an approach and longer-term solutions are required. The solution also needs to address the different issues and concerns facing both rural and urban regional districts. The regions need to be treated fairly and appropriately and review of this important governing body and its role is needed.

THE CHAMBER RECOMMENDS

That the Provincial Government conducts an independent study of urban and rural regional governance models to identify best practices and efficiencies and determine the feasibility of implementing those in B.C.

CUSTOMER PRODUCED POWER – IMPROVING BC HYDRO POLICY (2016)

Preamble

Renewable, sustainable and carbon neutral power is a key to our province's future. Other jurisdictions around the world, most notably the southwestern U.S., have passed policy and legislation that has fueled impressive renewable energy industries that include solar photovoltaics (PV), wind, and other renewable energy sources, in addition to hydro power. In the southwestern U.S., customers are producing power at prices below the cost of grid supplied power creating a new economic paradigm for power supply.

BC Hydro's current net metering program has had some success, but there is room for improvement and further stimulation of this economic sector, which would result in many additional benefits for the Province.

Business Issue

Canada's participation in the flourishing industry of solar power and other renewable energy production, other than hydro, lags behind that of our industrial trading partners. This is primarily because BC Hydro has abundant, inexpensive hydro power and wind power.

The B.C. solar PV industry has, however, developed capacity with a labour force of over 600 people and over 200 businesses, including a number of Canada's industry leaders. Most of these trades people and companies also install wind, micro-hydro, and solar hot water systems, but to a far lesser degree than solar PV.

At present, market conditions for solar PV in B.C. do not provide opportunities for significant industry growth. The Province's energy policy is supportive of emerging new technologies, and a solar PV project has been approved and implemented in the best solar energy location in the province, but it still demonstrates a significant economic cost disadvantage.

In the future, solar PV is expected to become competitive in B.C. and, at that time, B.C. will need to consider the major opportunities to benefit from innovation, industrial and economic development that growing the green business sector can bring.

Background

The Province of B.C. has a world-wide reputation for its clean energy and has set a high precedent through its work on climate action.

Solar PV is a reliable and proven technology that has great potential to deliver clean electricity right into the core of B.C. communities with the need for transmission to enable a firm energy supply where the solar PV is an intermittent source. It can displace energy demand right at the point of use. When viewed on a rooftop, solar PV is a visible reminder that energy supply comes at an environmental cost and that renewable energy and energy conservation are fundamental tenets of provincial policy.

Worldwide use of solar PV today is small, accounting for only 0.1% of total global electricity generation. However, deployment of the technology is rapidly accelerating with an average annual growth rate of more than 40% from 2000 to 2008.¹

¹ From CanSIA Report "Solar Power Feed in Tariffs for British Columbia: Canada's Clean Energy Powerhouse and Global Leader on Climate Change". September 2010.

The global solar PV industry is thriving with annual global revenues now over \$40 billion (USD). According to the International Energy Agency (IEA), if there is an effective policy effort in the next decade to allow for an increase in solar energy production, cost reduction and ramp-up of industrial manufacturing for mass production, solar PV could provide 11% of global electricity production by 2050.

Accounting for 80% of global installed solar PV capacity, a small number of countries with strong policy regimes are at the forefront of this technology sector. Many of these regimes have led with substantial subsidy costs for their end-use customers or taxpayers and have run into significant electrical system problems trying to manage the impacts of the intermittency of this energy source.

Home and Business-Based Renewable Energy Production Opportunities

Solar PV is a commercially available and reliable technology that converts solar energy (sunlight) directly into electricity by harnessing the solid-state physical properties of semi-conductors to create voltage when subjected to light. Typical solar PV systems in B.C. produce approximately 1 MWh per kWp per year.

Another exciting option is for small wind turbines, available for homes to collect wind energy, producing approximately no more than 100 kW of electricity. These are useful not only in homes, but farms and small businesses. They are helpful to lower electricity bills and offer a source of backup power. Wind availability is the main factor in installing a wind turbine. Local zoning regulations may also limit the minimum lot size that a wind turbine can be placed on. Typically, these small wind installations are not economic versus the BC Hydro supplied clean energy, but may be economic in more remote applications.

Micro-hydro, while a possibility, is only installed in rare situations. This is a type of hydroelectric power that produces electricity in the range of 5 kW to 100 kW using the natural flow of water. Micro-hydro is often accomplished with a Pelton wheel for high head, low flow water supply. Typical installations consist of a small dammed pool, at the top of a waterfall or elevation drop in a watercourse, with several hundred meters of pipe leading to a small generator. Typically, these small hydro applications are not economic versus the BC Hydro supplied clean energy, but may be in more remote applications.

Distributed Micro-Generation

Grid-tied electricity generation that is on the site of, or close to, an energy demand is referred to as 'Distributed'. Electricity generation, typically less than 100 kW, that involves meeting the energy needs for single buildings or a small number of buildings is called 'Micro-generation'. Distributed micro-generation is a complimentary model to the conventional model for power generation where centralized large generation facilities transmit electricity over long-distances to load centres. The only commercially available renewable energy technology that can be widely deployed in the built environment for reliable power production at this scale is solar PV.

These distributed micro-generation concepts can reduce the amount of energy required from main generation stations.

Distributed micro-generation with solar PV in B.C.'s communities may present an opportunity to address many of the issues that current B.C. energy policy seeks to accomplish, particularly as this option continues to become more economic in the future.

Status Quo – BC Hydro's Net Metering Program

The BC Hydro net metering program is designed for both residential and commercial customers who want to connect a small electricity generating unit to the distribution system. Generating units up to 100

kWh in capacity using a clean or renewable energy source are eligible to participate in this program.

Net metering customers use the recently installed smart meters to track electricity used and produced. When a customer generates more electricity than they use, they receive a credit on their account to be applied against future electricity consumption.

A customer who installs a generating system is assigned an anniversary date the day they connect it to the grid. Each year, at the anniversary date, if they have an excess generation credit remaining on their account, BC Hydro pays the customer back at the published rate of 9.99 cents per kWh.

This rate is above BC Hydro's evolving definition of its long run marginal cost of energy acquisition, which is now expected to be approximately 8.5 cents per kWh. BC Hydro generally looks to acquire energy, when it is needed at costs less than its anticipated long run marginal cost of clean energy.

BC Clean Energy Act

Passed into law on June 3, 2010, the Clean Energy Act (CEA) is a made-in-B.C., dedicated piece of renewable energy legislation.

The following summarizes the key components of this Act:

- The Province is to achieve electricity self-sufficiency by 2016. The demand-side management target is raised to an aggressive 66% of new supply (which BC Hydro currently exceeds);
- It sets a clean and renewable energy target of 93% (the highest standard anywhere in North America and one BC Hydro exceeds);
- Certain major electricity projects are also exempted from BCUC regulation;
- BC Hydro is to deliver comprehensive Integrated Resource Plans to Cabinet, every 5 years;
- BC Hydro is made stronger by its merger and re-integration with BC Transmission Corp;
- No clean energy projects are permitted in parks or conservancies;
- Environmental cumulative impacts of clean energy projects are to be taken into consideration in the Environmental Assessment Act;
- There is a feed-in-tariff, but only for emerging technologies (i.e., ocean and others to be prescribed);
- Smart meters are to be added by 2012 (which BC Hydro has accomplished below cost budget);
- Creates a First Nations Clean Energy Business Fund (with details to be prescribed by regulation);
- Mandates reductions of B.C.'s greenhouse gases for prescribed periods to 2050; and
- Standing Offer Program to be revamped (i.e. prices, size and included technologies).

The feed-in tariff section of the act is currently not being adhered to by BC Hydro. From the BC Hydro website:

“In light of efforts to minimize electricity rate increases, the B.C. Government is not planning to proceed with the implementation of a British Columbia Feed-in Tariff (FIT) Regulation at this time.

The Regulation would require BC Hydro to establish a FIT program in accordance with the Clean Energy Act.”

For information on existing power acquisition opportunities for small-scale generation, please see [Standing Offer Program](#) and [Net Metering Program](#).

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Policy Alternatives

While provincial and BC Hydro policies allow for net-metering, they provide minimal incentives for customers to use renewable energy or grid-intertie. In B.C., if you have excess energy to sell back to BC Hydro generated by a renewable source, you are credited at a fixed rate that is between the two rates that energy is purchased at, providing minimal payback to offset the cost to install renewable energy systems.

Contrasting this are the policies in some European countries and recently Ontario where what is known as Advanced Renewable Tariffs (ARTs) or Standard Offer Contracts exist. ARTs set a specified rate to be paid for the electricity generated over a fixed period of time by grid intertie systems. These rates are significantly higher than the market price of buying electricity. Ontario and Germany are examples of very costly implementations of solar PV energy supply. However, Germany has accomplished some of the lowest implementation infrastructure costs, which it will be useful to learn from.

The benefits of ARTs are two-fold:

1. They guarantee a faster payback to help compensate the high initial capital investment, which makes renewable energy more affordable; and
2. They help encourage a sustainable base of electricity generation for the future.

The negative aspect of ARTs and FITs is that they support, at taxpayer or ratepayer expense, uneconomic acquisition of power, particularly in a B.C. context.

In implementing ARTs, Germany has successfully implemented 21,000 MW in 7 years and created 170,000 new jobs.² The key elements of their ARTs are:

- guaranteed and priority access of renewable energy to the grid;
- guaranteed fees for 20 years and differentiated prices between energy options (e.g. photovoltaics requires a higher capital investment for the amount of power produced, so they are granted a higher rate of return than wind, which is more cost competitive); and
- no limitations set (i.e. prices wouldn't stop when a certain number of megawatts were reached so investment in production facilities occurred).

Germany, however, has one of the highest costs of power supply in the world and is having a number of challenges absorbing the acquisition of this intermittent energy source.

In 2010, the B.C. government released the Clean Energy Act that includes provision for Standard Offer Contracts and Feed-in Tariffs. This is an important move forward to increase renewable energy supply in B.C.

The B.C. government, for the benefit of ratepayers, has deferred implementation of its FIT policy to avoid acquiring uneconomic sources of intermittent power, which it may then have to sell at a loss. Solar PV technology and installation costs continue to decrease considerably faster than other potential sources of energy for the future and may be expected, at some point, to become an economic and firm source of energy supply. Now will be an opportune time to develop strategies and plans for the future of solar energy in B.C.

Summary

The Province of B.C., in the future, may have significant potential for distributed micro-generation, with

² "Net Metering: One Sky Case Study". Allison Bryan and Nikki Skuce. 2006.

the most achievable form being solar PV systems.

The Clean Energy Act of 2010 includes provisions for a “feed-in tariff” system for energy produced by BC Hydro customers. This portion of the act could be used to enable solar PV as a distributed micro-generation opportunity, when this technology achieves a level which could represent an economically successful source of energy in the future.

At this point in time BC Hydro is preparing to develop its next Integrated Resource Plan (IRP) for 2018. The IRP process will likely enable a significant opportunity for consultation and engagement on energy resource options and resource balance planning. The time is now right for advocacy of a solar PV strategy scenario in the IRP development.

THE CHAMBER RECOMMENDS

That the Provincial Government and BC Hydro, in the process of preparing the next Integrated Resource Plan, develop a solar PV strategy and scenario for the future supply of economic, reliable and firm solar energy for B.C., encouraging local innovation.

SUPPORTING B.C.’S STEELMAKING COAL INDUSTRY (2016)

Issue

British Columbia’s coal industry makes a significant contribution to the provincial economy through employment, tax revenue and contribution to the provincial GDP. Coal exports accounted for 8.5% of B.C.’s total exports in 2015.

There is a long history of environmental responsibility in the mining and transportation of steelmaking coal internationally. B.C.’s port industry operates under strict environmental regulations that are among the highest in the world, ensuring no health risks for those who live near or work at coal terminals.

Increasingly, industry opponents have made misleading and false claims about coal transportation in B.C., and have lobbied municipal governments to take action. This has resulted in some municipalities considering or taking policy positions against coal transportation in their communities and opposing expansion and infrastructure improvement projects. The industry, in fact, contributes to B.C.’s export growth strategies and ensures critical upgrades are made to terminal facilities to improve and mitigate environmental and residential impacts.

Restricting or delaying the development of the coal supply chain will result in the loss of livelihood for a significant number of families in many parts of B.C. that are supported by the coal industry and reduce B.C.’s global competitiveness.

It is important that B.C. protect the economic benefits of this sector by informing the general public and municipalities about B.C.’s steelmaking coal industry and corresponding global demand for steel, and ensure its transportation is not inhibited at critical points in the supply chain. It is essential for our economy that B.C.’s steelmaking coal industry have access to international markets.

Background

In 2015, over 25 million tonnes of steelmaking coal was produced in British Columbia. B.C. has 12

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billion tonnes of mineable coal reserves, of which 8 billion tonnes are in the Kootenay region and 4 billion tonnes are in the Peace River coalfield of northeastern B.C. Restricting the availability of Canadian coal will have limited impact on the world market, but will severely impact our domestic economy.

According to figures compiled by PricewaterhouseCoopers, for the Coal Association of Canada, in its 2013 *PwC Economic Report on Coal – British Columbia*, B.C.'s coal industry generated an estimated \$3.2 billion in economic activity and \$715.2 million in tax revenues in 2011 for all levels of government to support much-needed public services like health care and schools.

Major mines and terminals in B.C. spent \$5.16 billion on goods and services with businesses across the province over the five years between 2010 and 2014. This spending included significant sums in communities that are not closely associated with the mining industry.

The five steelmaking coal mines in British Columbia's Elk Valley region:

- spent over **\$1 billion** goods and services in 2013 throughout British Columbia with nearly **60% or \$609.3 million** flowing to businesses in the Lower Mainland Southwest Development Region;
- paid **\$457.6 million** in direct wages in 2014, based on an average industry wage of **\$114,600**;
- generated work for a wide array of professional service providers including engineers, technical contractors, iron workers, pipefitters, environmental experts and employees in legal, real estate, insurance and financial roles; and
- produced **26.7 million** tonnes of steelmaking coal mined for export in 2014, with revenue value of **\$3.3 billion**.

B.C.'s steelmaking coal is vital to everyday life around the world. It is used to build major projects like bridges, rapid transit systems, wind turbines, high rises and everyday consumer products like cars, bicycles, tools, lawn equipment and household appliances. It is also one of the most commonly recycled products.

Steelmaking, like many industrial processes, does create some emissions. Steelmaking coal, also known as metallurgical coal, is an essential part of a chemical reaction needed to create new steel. It is not used to generate power.

Steelmaking coal is inert. It can be handled with bare hands. It is not considered a dangerous or hazardous material by Transport Canada and it is safely handled by thousands of workers every day. B.C.'s port industry operates under strict environmental regulations that are among the highest in the world, ensuring no health risks for those who live near or work on port terminals.

Rail is the most efficient mode of transport to move commodities and has been shown to be two to five times more fuel-efficient than truck transportation depending on the commodity.

As the population continues to grow, residential neighbourhoods have expanded and in some areas, closer to port terminals. In some communities, where rail lines connect with port terminals, public debates have been held in the media and with their municipal representatives, calling for the elimination of coal transportation through communities where rail lines have been located for decades, in most cases, long before the residential neighbourhoods were built around them.

Conclusion

Steel is vital for the world's advancement. Coal exporting is a major economic contributor for Canada and British Columbia's ports play a critical role in transporting Canadian steelmaking coal to important international markets.

The provincial government has an important role to play in supporting expansion and infrastructure improvements in this important industry and protecting exports from being inhibited at critical distribution points.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Promote the productive and environmental benefits of high quality Canadian steelmaking coal to international markets;
2. Work with industry to develop sound public and economic policies that fosters B.C.'s steelmaking coal mining industry; and
3. Support educational opportunities to inform people of the province's steelmaking coal resources, its contribution to meeting global demand for steel production and the corresponding economic prosperity through high paying jobs for tens of thousands of families, to B.C.'s small businesses through local procurement, through tax generation and the related economic spinoff.

SUPPORTING CANADA'S RESPONSIBLE RESOURCE DEVELOPMENT (2016)

B.C. and Canada's resource development projects, and associated infrastructure, are an economic enabler for its economy, allowing value added sectors to develop, create jobs, and compete.

Safe, well-regulated and responsible natural resource development is one of the defining features of the British Columbia economy. The wealth created by natural resources enables B.C. to serve as a net contributor to Canada's national economy in support of vital services such as health care and education.

B.C. also contributes to Canada's natural resource prosperity through its historic role as the nation's transportation link to the Asia Pacific region. Producers of oil, coal, lumber, copper and grains rely on B.C. ports to connect them with Asia Pacific. Infrastructure investments such as the South Fraser Perimeter Road reflect the Province's recognition of the importance of Pacific Gateway.

If British Columbians and other Canadians are to prosper in the decades ahead, however, the province should also take steps to support private sector investments in responsible resource development and transportation.

An example of the risk to our ability to efficiently prosper from our natural resource sector is the controversy around Northern Gateway Pipeline and Trans Mountain Expansion Projects. The Trans Mountain project is a timely, shovel-ready opportunity to show international investors B.C. is open to multi-billion-dollar business investments that satisfy Canadian's high expectations for environmental sensitivity, regulatory compliance and safe, responsible operation.

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Despite this, the public debate threatens to overtake the regulatory process. Criticism of any project should be part of a healthy review process. But much of the criticism of both Northern Gateway and Trans Mountain Expansion Project is driven by a conviction that the project should not proceed regardless of the proponent's ability to meet regulatory requirements for responsible development.

The original Trans Mountain Pipeline has been in operation for more than 60 years. Trans Mountain proposes to nearly triple the capacity of its existing 1,150-kilometre oil transmission pipeline between Edmonton and Burnaby and expanded shipping capacity at its Westridge Marine Terminal in Burrard Inlet.

A \$6.8 billion private sector investment, the expansion project it creates thousands of jobs for both the short and long term, and provides billions of dollars in new revenue for all levels of government. Small business operators, individuals and communities are among those who will gain from this project.

B.C. would gain the equivalent of 9,500 jobs per year for 20 years. In communities along the proposed pipeline corridor, annual property tax payments to at least 20 local governments and 24 Aboriginal communities would more than double to \$52.4 million from \$25.9 million per year. There would be 1,100 jobs created through expanded Westridge operations, and an additional \$2.5 billion injected into the Metro Vancouver economy over 20 years.

Trans Mountain Expansion Project is one of many resource-related infrastructure projects that create tremendous opportunity, prosperity and job opportunities for British Columbians in both the short and long terms.

In addition to an estimated \$81 billion in tax revenues and a \$270 billion in national GDP uplift over 30 years, construction of the Northern Gateway Pipelines project will benefit communities throughout the country. In total, the project will generate 558,000 person years of employment yielding \$48 billion in labour income and will provide \$28 billion of value to industry in the first 10 years alone. Over 1,177 km of pipeline with pump stations, and the marine terminal, will provide 1,400 person years of direct construction employment in Alberta and 4,100 person years in B.C. Including indirect and induced employment, a total of 62,000 person years across Canada will boost labour income by \$4.3 billion.

The \$8.3 billion Site C hydroelectric project in northeast B.C. creates 10,000 person years of direct construction jobs and 33,000 person years of total employment over nine years — and provides a legacy of low-cost electricity production for more than 100 years.

The \$1.3 billion KGHM Ajax Mining copper-gold project near Kamloops could provide 1,800 jobs in a 2.5-year construction phase, 500 full-time positions, \$500 million in estimated tax revenue and \$60 million in annual payroll.

Liquefied natural gas plants under active consideration in B.C. are generational opportunities that add wealth, lower taxes and thereby make it more affordable for B.C. families to live in high-priced regions such as Metro Vancouver.

A decision on the \$40 billion LNG Canada project in Kitimat could be announced in 2016. The first phase of Pacific NorthWest LNG, an \$11 billion commitment, could also come this year.

Close to Metro Vancouver, the \$1.8 billion Woodfibre LNG plant would create 650-plus jobs during

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construction and 100 full time jobs during operations. It would pay \$83.7 million in tax revenue to all levels of government during construction and \$86 million a year during operations.

Meanwhile, the forest industry remains a mainstay of the provincial economy and the principal economic driver for 40 per cent of the communities in which it operates. B.C. is the largest producer of softwood lumber in Canada and North America's largest producer of bioenergy. It annually contributes \$13 billion to provincial GDP, supports 146,000 direct jobs and each year sends \$2.5 billion in revenue to all three levels of government.

Among proposed resource projects, Trans Mountain is a leader — it could be shovel-ready before year's end if the federal government elects to let it proceed. The Chamber is very supportive of the project and believes that the Trans Mountain initiative is of national importance with the potential to significantly expand market access for the good of all Canada.

Western Canadian oil producers will not thrive without greater access to global markets. Their only export customers at present are in the United States Midwest, where a supply glut has pushed the market price for Canadian oil below its potential value to refiners in other markets.

For Canada, there is no better time to allow the private sector to take the initiative as a long-term creator of jobs and government revenue. Each additional dollar earned on the sale of a barrel of Canadian oil keeps people working and brings more tax dollars for government with no additional investment of public money.

Regulatory review of resource and infrastructure projects addresses a broad range of environmental, health and safety, socio-economic, community, and Aboriginal issues to ensure that the concerns of all interested stakeholders are taken into account. Potential environmental effects of a proposed project are identified and evaluated, providing the opportunity for the proposed project to be modified, if appropriate, before detailed design and construction starts.

Through the regulatory review process, potential projects are endorsed, modified or rejected depending upon whether significant adverse effects, following planned mitigation measures, are predicted.

The Chamber believes that it is critical that B.C. maintains its reputation as a jurisdiction open to investment and take actions that sustain and expand the ability of the Pacific Gateway to generate prosperity for B.C. and Canada.

Inefficient and unpredictable processes are turning away potential investors and prevent businesses from being able to make informed location and logistic decisions. For example, the World Economic Forum has cited "inefficient government bureaucracy" as one of the biggest impediments to improving Canada's economic competitiveness.

The Chamber welcomes changes to improve the efficiency of the regulatory review process for major infrastructure projects — whether it's a pipeline expansion, an LNG export facility or a new mine.

We encourage all levels of government to continue to build on these improvements to ensure that Canada develops a world-class regulatory system that effectively supports economic competitiveness while protecting Canadians and the environment. This system must remain stable and consistent.

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THE CHAMBER RECOMMENDS

That the Provincial Government works with the Federal Government to promote western access for natural resource products. The Province should:

1. Work with the federal government to identify opportunities, training, education, joint ventures, etc., that would ensure First Nations communities can fully participate and benefit from all natural resource development opportunities;
2. Take a more proactive role in communicating facts about the provincially and federally regulated pipeline industry as well as B.C. and Canada's safety record for shipping heavy oil;
3. Continue to support establishment of a world-class marine tanker safety regime with enhanced marine spill response capability, and a world-class terrestrial safety system;
4. Engage Chambers and other organizations in project pipeline construction communities to maximize opportunities for local businesses during construction and operation of all major projects, including increased opportunities for First Nations participation;
5. Provide greater clarity and specificity on B.C.'s provincial interest, commonly known as the "five conditions," in order to provide certainty, predictability, and stability that encourage capital investment; and
6. Confirm that a proposed heavy oil pipeline meeting B.C.'s five conditions has the full support and confidence of the provincial government, and should proceed.

DEVELOPING NEW FINANCIAL MECHANISMS TO DEVELOP B.C.'S MINERAL RESOURCES (2015)

Mineral exploration expenditures in B.C. increased from \$154 million in 2009 to \$463 million in 2011 and to record level of \$680 million in 2012. A significant factor in this increase was the availability of financial mechanisms at both the provincial and federal levels that encouraged such investment, as well as favourable metal pricing and government policies supporting mineral exploration and development.

However, with the recent uncertainties in global economic prospects, combined with somewhat lower metal prices, (and significant cost inflation in developing new mines), exploration spending has virtually collapsed in the past two years – to \$476 million in 2013, and now to only \$338 million in 2014, a 50% decline which looks to continue into 2015.

The challenge is not a lack of worthy exploration targets; the problem is a lack of funding to pursue them. Traditional funding models don't seem to be working anymore and junior companies – the mainstay of the mineral exploration business – are seriously struggling. Many – hundreds - may be forced to close their doors and the impacts will be felt well beyond the lack of exploration necessary to find and develop new mines. Also affected will be those service and supply businesses (including legal and accounting services) that are employed by the junior sector, especially in Vancouver.

Mining and mineral exploration is well known to be a cyclical industry, but many in the sector –

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including many old timers – assert they have rarely seen the situation this bad.

Part of the problem is that the old model of independent retail stock brokers has broken down with the advent of highly computerized algorithmic and high frequency trading, and with the consolidation of the brokerage industry by the banks which now control upwards of 95% of Canada’s wealth by some estimates. Banks actively discourage their brokers and clients from participating in speculative securities because of:

- a. risk aversion; and
- b. banks preferring to earn management fees on assets over a long-term.

Speculative junior mining stocks do not fit their business models.

Flow-through share financing has been a successful structure for over 30 years whereby governments have acted as a catalyst to increase the levels of resource property exploration and development in Canada. By acting as a catalyst to assist mining companies in attracting greater amounts of private market funding at more attractive terms than would otherwise be possible without government support, governments help encourage mineral exploration activity and the discovery and development of the public’s mineral resources.

Companies raising money on an exchange are required to publish a Prospectus, a document describing the company and its plans and objectives. It is highly detailed and prescriptive, includes detailed technical reports, and is expensive and time-consuming to prepare, publish and distribute. Its purpose is to present potential investors with all the information they need to make informed decisions, and as such serves as a protection for investors.

Under the Accredited Investor Exemption regime companies are allowed to raise money directly from Accredited Investors without the need, expense and delay of preparing a prospectus. An Accredited Investor is one who earns over \$200,000 annually or has over \$1 million in liquid assets.

The rationale for this restriction is an assumption that wealthy people are sufficiently sophisticated as to know what they are doing; however, it is not axiomatic that net worth implies sophistication!

A possible long-term assist to the sector – and to those more average retail investors wishing to participate in the speculative junior market – would be to ease the current Accredited Investor Exemption rules which currently limit investors providing money directly to company treasuries in exchange for shares to Accredited Investors, i.e. the wealthy. Others – most people – are restricted to buying existing shares in the open market. While their contributions may support the stock price they do not add to the company’s treasury.

Flow-through shares were originally introduced to address an exploration financing inequity that arose between major and junior exploration companies. Major producing companies have income against which their exploration (and other) expenses can be deducted; most junior exploration companies are not yet producing and so have no income from which to deduct their legitimate expenses.

A flow-through share is a share, or the right to buy a share, of the stock of a mineral resource company where these expenses are “flow through” from the company to investors who *can* use these expense deductions against their income to reduce their tax payable. A flow-through share is issued under a written agreement between a corporation and an individual under which the individual agrees to pay for

the shares, and the corporation agrees to transfer certain mining expenditures to the individual for their own use.

The B.C. mining flow-through share (B.C. MFTS) tax credit allows individuals who invest in flow-through shares to claim a non-refundable tax credit equal to 20% of their B.C. flow-through mining expenditures. The B.C. MFTS has been harmonized with, and has been in addition to, the 15% federal Mineral Exploration Tax Credit. Unfortunately, the expiry date for the B.C. MFTS tax credit is December 31, 2016.

B.C. has an excellent Mining Exploration Tax Credit program that provides a 20% refundable tax credit for resource companies through January 2017, and an enhanced rate of 30% for companies exploring areas affected by the mountain pine beetle. The Chamber thanks the government for its foresight in implementing a long-term tax incentive for companies active in mineral exploration.

A significant amount of money raised from flow-through financing is not being deployed during the recent market downturn because some companies are unable to finance brownfield exploration or expansions. These could be addressed if the flow-through program was amended to allow the application of flow-through funds to open pit and underground exploration and development at both brownfield and greenfield sites.

THE CHAMBER RECOMMENDS

That the Provincial Government encourages private sector investment in mineral exploration by:

1. Making the B.C. MFTS share program a permanent feature of the tax system or, at a minimum, extend the program for an additional three years;
2. Implementing a temporary increase in the deduction gross-up to 125% for development spending and 150% for exploration spending to flow-through share financing, and increase the associated tax credit of eligible costs from 20% to 30% (similar to the Budget 2007 measure to increase the mineral exploration tax credit in pine-beetle infested regions);
3. Expanding flow-through eligibility to include both surface and underground greenfield and brownfield exploration and development expenditure; and
4. Making the B.C. Mineral Exploration Tax Credit permanent.

INVESTING IN INFRASTRUCTURE REQUIRED TO CAPITALIZE ON B.C.'S MINERAL RESOURCES (2015)

B.C.'s geology and mineral resources can provide a strong economic foundation for the province and make B.C. a leading global supplier of minerals. But this can only be achieved if B.C. creates and maintains the geological infrastructure and database to attract investment in this sector.

Two organizations working towards these goals are the BC Geological Survey (BCGS) and Geoscience BC (GBC). Each has different mandates but complementary goals.

BCGS is responsible for producing, housing, and maintaining public geological and geoscientific

information about mineral resources and mineral potential in the province as well as geological information important to land use planning, geologic hazard identification and awareness etc. Their core staff is comprised of professional geoscientists who carry out the systematic inventory and assessment of the varied and complex geology of B.C. BCGS functions as a highly technical institution to answer to the continuing information needs of government, business, and the general public. The inventory of information is used to attract industry investment, to assist government's stewardship of its rich mineral resource endowment, and to help manage and protect Crown lands.

The BCGS budget has been inadequate for years.

GBC's mandate is to encourage mineral and petroleum exploration investment in B.C. through the delivery of applied geosciences. It applies new data, new ideas, new technologies, and compiles and reprocesses existing data and applications of existing technologies in new areas. Geoscience BC seeks collaborative and partnership projects that come with supporting funding.

Almost since its inception GBC has been hobbled by uncertainty surrounding its funding, usually operating under two-year funding commitments. In May 2011 as GBC was preparing to cease operations due to lack of funding the province announced another 2 year \$12 million funding commitment. In May 2014 a further \$3 million funding initiative was announced.

Having to prepare for shut-down every second year is disruptive and inhibits maximum utility of this important vehicle which works cooperatively with BCGS while leveraging additional funding from industry for industry led priorities.

If B.C. wants to realize the opportunity of our rich mineral resources it needs to invest in the geological and other infrastructure that makes this possible.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Reinstate BCGS's annual funding to at least the \$5 million level, plus additional funds to cover expensive field costs and the costs to attract expertise in today's competitive market; and
2. Reinvest another \$20 million in Geoscience B.C. with the mandate, as before, to leverage these funds with funds from industry and other government agencies and implement an on-going funding structure to facilitate and allow longer term planning.

MINERAL EXPLORATION INVESTMENT AND PERMITTING (2015)

In 2011, we commented that although mineral exploration expenditures had been rising due to high commodity prices B.C. should not take continued high prices for granted. Now prices have softened and investment capital has become extremely difficult to find for mineral exploration companies – some experienced managers say they have never seen more difficult times in the industry. The result is a marked decline of over 50% in exploration expenditures, from a high of \$680 million in 2012 to \$338 million in 2014 and no sign of a turn-around in 2015.

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Especially concerning is the collapse in the greenfield, grassroots side of the business so essential to finding new discoveries to sustain future mine development. Early stage mineral exploration is the lifeblood of the mining sector because this activity finds the new mineral showings that become developed into mineral deposits and mines. Greenfield spending - prospecting and early stage exploration - is estimated to constitute approximately 2% to 5% of the total exploration spend in 2013, and even less in 2014. (The majority of the total exploration spend was on major developing projects such as Blackwater, Brucejack and KSM, all in northern B.C.).

In contrast, the Association for Mineral Exploration B.C. (AME BC) believes that to discover the new deposits that ultimately become new mines (where the most significant revenues to government can be generated) requires sustained investment in prospecting and early stage exploration at a 20% level of the total expenditure.

Industry estimates that exploration expenditures in excess of \$100 million are required to discover a new mineral deposit that may be developed into a mine. On average a prospect will reach development stage 10-15 years after discovery, and often much longer. Mines currently in production, or in the environmental assessment process, are the result of successful exploration conducted years, often decades ago.

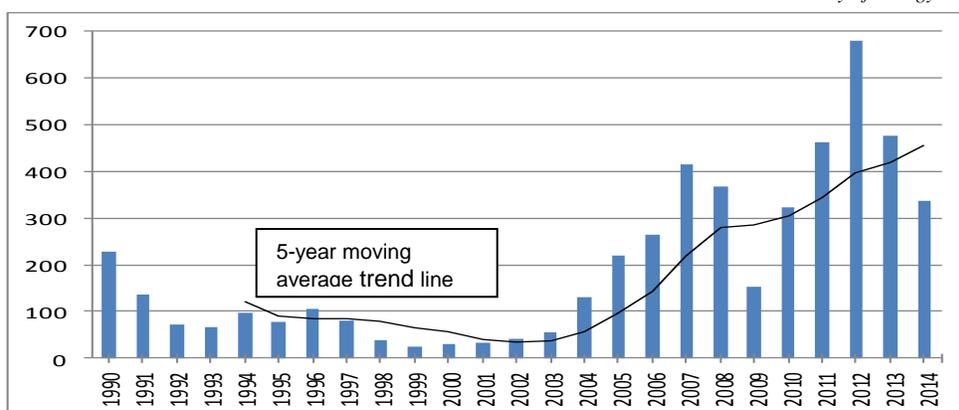
The value of mine production in 2013 is estimated at \$8 billion from 19 metal and coal mines, 30 industrial minerals and more than 1000 aggregate operations. Industry paid approximately \$500 million in 2014 to governments in the form of mineral taxes and fees.

It is also worth noting that even exploration that doesn't result in new mines – only about 1 in 10,000 prospects become mines – does create value to British Columbians through increased community and regional economic activity and development, and by increasing geologic knowledge of our province.

The benefits of mining are clear. But if we wish to continue to reap the benefits of mining in the future we must work now to ensure prospecting and early stage exploration continue to discover new deposits.

B.C. Mineral Exploration Expenditures (C\$ millions, unadjusted for inflation)

Source: B.C. Ministry of Energy & Mines



As well as this significant drop in investment in exploration B.C. has dropped further in terms of overall government policy attractiveness according to the Fraser Institute Annual Survey of Mining Companies, ranking only 42nd out of 122 jurisdictions in 2014, a drop of ten spaces since 2013 – and a far cry from

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2009 when B.C. was the 24th most attractive jurisdiction in the world for mineral exploration and development. Moreover, of 13 jurisdictions in Canada B.C. currently ranks just 11th.

However, while grassroots exploration appears to have dropped in all jurisdictions B.C.'s share of total Canadian mineral exploration expenditures remains high at 21% in 2014.

Two significant impediments to investment are the perceptions in the international investment community that Canada (and B.C. in particular) is plagued with lengthy permitting delays and uncertainties, and with land management and First Nations issues. In recent years two B.C. project rejections, (Morrison rejected by the Province and New Prosperity rejected for the second time by the federal government), have greatly exacerbated this negative perception of B.C. as a safe place to invest.

In both cases, expensive judicial reviews alleging procedural unfairness have been deemed necessary by the proponents adds to the clouds of uncertainty deterring investors. In the Morrison case courts have already ruled the company was indeed denied procedural fairness and ordered the province to revisit the application.

One of the issues facing mineral explorers stemming from new paradigms of First Nations relationships is the development of 'great expectations' of immediate economic benefit. There have been unrealistic, even extortionate, demands from some First Nations for large payments just to access to the land. Government has abetted this in many cases by not clarifying during consultations that the most significant financial benefits flow not from explorers, but from producing mines - the explorers don't generate revenue, they depend on capital markets to provide the money needed to first find the mine.

Most companies understand that early communication with all communities including First Nations are crucial to successful relationships and are pleased to hire First Nations workers to assist their exploration efforts, and to incorporate their concerns about mineral exploration work plans where possible. It needs to be clearly understood by all that payments from explorers for access to the land are not a legal requirement or entitlement and should not be.

And now the mid 2014 Supreme Court of Canada decision affirming First Nation title can exist is a further perceived roadblock for investors. Government needs to do a much better job of explaining this decision to investors and to the general public.

Another deterrent is the perception that the Province denies access to and for exploration and development without due consideration of mineral potential or mineral resource values.

Currently some 20% of the province is closed to mineral exploration and development through parks, protected areas and other designations while another 30% is subject to significant restrictions; e.g. in the Todagin Wildlife Management Area where an extremely unrealistic, narrow time window for activities is proposed and a draft management plan has already been used to discourage low impact high tech aeromagnetic geoscience surveys.

Although there has been some progress rectifying this perception (e.g. in fiscal 2012/13 the Province released 800,000 ha from reserves that had prevented exploration, and it has committed to review more mineral and coal reserves in 2014 to determine if more land can be made available) this is discounted by initiatives to withdraw even more lands (such as the Klappan in northern B.C. and the Flathead in the southeast) despite – and in contravention of - existing publicly negotiated science based land use plans.

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It would be helpful going forward if further lands are closed to exploration and development for reasons of environmental protection, or to enable First Nation agreements, government considers opening up other lands such as no-registration areas that are currently closed. This would begin to address the issue of cumulative impacts of multiple closures and potentially open up areas of high mineral potential closed during past land use planning processes that did not adequately consider the mineral development potential and loss of socio-economic opportunities.

Further, when the Province arbitrarily removes mineral lands from exploration and development it is seen to be unwilling to provide both fair and timely compensation for rights taken, (e.g. Flathead, and Boss Power where in both cases rights were taken without due process or consultation. In the Boss Power case the courts were very critical of the province's treatment and lack of procedural fairness in its dealings with the company and its shareholders.)

If mineral rights are taken from tenure holders under the Parks Act, the Act specifies that Fair Market Value is to be paid, and Fair Market Value is defined as *“the value that would have been paid to the holder of the expropriated mineral title if the title had been sold on the date of expropriation in an open and unrestricted market between informed and prudent parties acting at arm's length.”*

However, if those same rights are not taken under the Parks Act, and if they are taken through other avenues, then there is no established legal mechanism to provide compensation for mineral rights expropriated. Government instead proceeds in an ad hoc fashion - often forcing companies into long drawn-out and expensive court proceedings.

The resulting uncertainties and consequent lack of confidence in the security of investment (and that investors will actually be able to develop the mineral resource and receive fair treatment from the provincial and federal governments) is negatively impacting our ability to attract investment. For these reasons there is a perception of a “B.C. Discount” for our mineral properties.

There is also a perception that prospectors and exploration companies may not enjoy due process in areas where proposed activities may be controversial, even in areas where Land Use Plans have been negotiated and agreed with all-sector and community and stakeholder involvement.

Another persistent issue has been a lack of consistency between government permitting offices across the province, and lengthy delays in issuing exploration permits in a timely manner because of understaffed and under-resourced government offices. (Staffing levels in the Minerals Division and Mines Branch were cut by approximately 75% in 2001. e.g. Kamloops office went from 12 to 3 employees.)

The resulting permitting backlog was recognized in 2011 and temporary contingency funding of \$31 million over 3 years (2011-2013) was found by the province to hire staff to bring offices up to complement with the result that the backlog has been reduced from 110 to 55 days. But most of this contingency funding did not flow to the Ministry of Energy and Mines (MEM) which has fewer than 170 employees; most of the 100 positions created to deal with the permitting backlog went to Ministry of Forests, Lands, and Natural Resource Operations which has 4400 employees.

Before the 2010 major reorganization of Ministries, MEM was responsible for First Nation consultation which had major benefits such as having a one-window approach into the responsible government agency, communicating with knowledgeable staff familiar with industry's projects and achieving more timely and balanced decision-making based on science and project-specific facts and First Nations issues.

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A conclusion can be drawn that any “process improvements” were not long-term changes but simply a function of increased staffing levels, that the permitting “process” was not improved. There is still room for improvement. Experience has shown that delays are not caused solely by under-staffing, but also by excessive bureaucracy, red tape, limited staff training, and the ever increasing scope and complexity of permitting and First Nations consultation.

A recent positive step was an announcement of a further \$6.3 million funding to Mines and Minerals Division to support permitting and inspections.

Two major causes of permitting delays are the First Nation consultation process and the inability to make timely decisions. B.C.’s mining industry proactively engages with FNs, and communities. AME BC has created an Aboriginal Engagement Guidebook to assist industry in engagement – but this industry led work is a direct cost borne primarily by prospectors and explorers who generate no cash flow, and don’t receive credit for these efforts. Industry is unduly incurring the increasing costs of First Nations consultation although such consultation is the duty of the Crown. The weighted average of consultation costs borne as a percentage of total exploration costs in 2012 was estimated at 21% (Ernst and Young recent sample study).

The industry and the Chamber have asked that these costs be eligible for tax credits and the federal government has recently announced such consultation costs will be eligible for off-setting tax credits (such as flow-through shares and mining exploration tax credits).

Despite all, permits still become stuck during First Nations consultations or because of environmental issues where they may be opposing views or a lack of urgency to resolve issues. Government must work to fulfill their duty to consult, and undertake focused work to reduce red tape, to increase permitting efficiency and improve the one-window into government.

The Chamber also welcomes the provincial government’s decision not to charge new fees for Notice of Work applications to junior companies and prospectors as originally proposed. An argument used to justify the proposed new fees is ‘other agencies charge fees’; however, in those cases the fees paid convey a tangible, valuable asset (e.g. right to cut and to sell wood, right to water etc.)

In the case of the mineral explorer all that is conveyed by a Notice of Work permit is the right to explore – to spend more money on exploration!

Given that Mineral tenure fees alone bring about \$12 million a year (five year moving average), and that the annual budget for the Mines and Mineral Resources program within MEM is a mere \$11 million (*Operating expenses listed in MEM’s 2014/15 – 2015/16 Service Plan are \$11, 056,000*) such an added cost to mineral explorers is unnecessary, and counter-productive.

The issue and challenge for prospectors and junior companies is that they have no revenue or cash flow from which to pay such increased fees; while producing mines do have revenue streams they might use, the junior explorers rely on capital markets to raise funds to continue to explore, and prospectors are generally individuals of limited means. Having to pay new and additional would literally take food from their family tables. In recent years they have been faced with significantly higher costs of acquiring and maintaining tenure from the province, (in addition to upfront bonds to cover reclamation costs) and this new proposed fee had been described by some prospectors as ‘having to pay a fine for deigning to work and explore in British Columbia!’

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Canada is home to about half of the world's 2400 active mining exploration companies accounting for as much as 40% of the world's mineral exploration budget in 2011. B.C. is home to more than half of Canada's exploration companies (some 1200) and Vancouver is the largest concentration of mining exploration firms in the world. As a consequence, Vancouver has a community of mining firms supported by a significant number of consultants, suppliers, and service suppliers - a cluster. Kamloops is home to a second B.C. cluster. (Mining Capital: How Canada Has Transformed Its Resource Endowment into a Global Competitive Advantage – Canadian Chamber of Commerce)

World beating competitive industries often form from competitive clusters of “geographic concentrations of inter-connected companies, specialized suppliers, service providers, firms in related industries and associated institutions” - all of which we have in Vancouver and in Kamloops.

Mining is an innovative and technologically intensive sector partly because it operates in a highly competitive global environment. Too, it has a long-supply chain relying on a diverse array of suppliers and service providers who are also challenged to innovate.

Given the very small amount of land used for exploration and mining this minimal land use provides by far the largest return on investment to the people of British Columbia per hectare, the Chamber feels that mineral exploration should be encouraged and that the nominal costs associated with administering and managing the sector should be considered an investment, and not simply a cost to be recovered.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Conduct a full and comprehensive mineral potential analysis of land under consideration for withdrawal from mineral exploration and development, including a full socioeconomic impact assessment of foregone resource values and opportunities before any additional lands are closed to mineral exploration;
2. Provide full and fair market compensation in a timely manner when mineral claims, tenures and leases become closed to exploration and development;
3. Rebuild the Ministry of Energy and Mines, including reincorporation of First Nations Consultation, by allocating an additional \$10,000,000 annually to address permitting and regulatory issues in a timely manner;
4. Fully staff and resource the mineral exploration and permitting agencies and ensure consistency across the province;
5. Undertake a process review of Mines Act permitting focused on finding efficiencies and improving the single window into government;
6. Monitor, track and publicly report accurately on the statistics regarding BC's actual land use and access, including mineral exploration and mining;
7. Consider opening lands currently closed to compensate for newly created protected or restricted access lands; and

8. Respect existing multi-sector negotiated land use plans.

RESOURCES WORKING FOR B.C.'S ECONOMIC PROSPERITY (2015)

While the B.C. economy is made up of multiple sectors from high tech to tourism, B.C. is still a resource-driven economy, whether it's oil and gas, mining and minerals, forestry or agriculture and aquaculture. The prosperity we all enjoy is supported by our ability to extract and trade our resources with the world. In B.C., the natural resource sector accounts for 11% of the provincial GDP and over 100,000 jobs.¹ The resource economy goes beyond the rural communities that are in close proximity to the mines, the forests and the sea out of which our resources come from. Today, it is estimated that 56% of all resource-related jobs are located in the Lower Mainland of B.C.² This highlights the truly symbiotic relationship that exists between urban and rural B.C. communities when it relates to the natural resource sector.

The value of the B.C. resource-based economy extends to the many supply chains throughout B.C., across Canada and around the world. These supply chains support other sectors of the B.C. and Canadian economy from transportation and freight forwarding to finances and accounting to manufacturing and suppliers. While the Asia-Pacific Gateway and Corridor Initiative has alleviated many transportation bottlenecks in the supply chain, the fact remains our road, rail and port capacity still face sizeable challenges to moving our natural resources to market. B.C. alone highlights the lack of export infrastructure, whether it is currently no LNG export facility or oil pipelines to Asian markets.

In B.C., our ability to access global markets is hindered not just by our ability to move our resources to market, but also by our inability to extract the resources from the ground. Our capability to utilize our resource wealth suffers from our inability to “get to yes”. To counter this trend, the Chamber network supports the Partnership for Resource Trade, a Pan-Canadian initiative that promotes the benefit of the resource-based economy. Supporters of this initiative share the view that:

- Resources will continue to be the engine of Canada's prosperity now and in the future;
- These sectors provide unique opportunities to engage and partner with Canada's aboriginal peoples and remote communities;
- Canadian resource producers can balance our role in providing the world with the materials to build and power their societies with the need to protect and preserve the environment; and
- Canada must reinvest in its trade/export infrastructure, such as roads, rails, port terminals and pipelines in order to maintain and enhance our resource development advantage for the next generations of Canadians.³

In B.C., we have seen the creation of a group called Resource Works “to help bring fact-based information to the public discourse about the natural resource sector and its role in B.C.'s future.”⁴ The common link between these groups is the desire to create the right conditions to allow our resource sector to prosper by providing certainty to the resource development process.

THE CHAMBER RECOMMENDS

1 <http://www.nrcan.gc.ca/publications/key-facts/16013>

2 <http://www.joomag.com/magazine/B.C.-check-up-2014/0290857001410218558> Introduction.

3 <http://www.chamber.ca/download.aspx?t=0&pid=09f695a2-3e6c-e411-a071-000c29c04ade>

4 <http://www.resourceworks.com/about.html>

That the Provincial Government:

1. Endorse and support the messages and objectives of the Partnership for Resource Trade; and
2. Develop and implement, with the BC Chamber of Commerce, the Partnership for Resource Trade, First Nations, and other stakeholders, a clear consultation permitting and approval process in order to advance permitting and approvals for resource development and export infrastructure that ensure B.C. resources get to market.

SUPPORT FOR BC GEOLOGICAL SURVEY (2015)

The BC Geological Survey (BCGS) is responsible for producing and housing public geological and geoscientific information about B.C.'s geology, including mineral resources and mineral potential in the province. It is B.C.'s permanent repository for geoscience data and information in the province, and B.C.'s "Mineral Exploration and Development Strategy" recognizes the survey's custodial role in ensuring information gathered about B.C.'s geology is retained and publicly available.

Its core staff is composed of professional geoscientists who carry out the systematic inventory and assessment of B.C.'s varied and complex geology, and play a vital role in providing technical advice and information to the public, First Nations and government agencies as well as industry, regarding mineral resources, geology, and mineral development and exploration activities.

Principal activities include geological and geochemical surveying, mineral, coal and industrial mineral inventories management, mineral potential assessments for land use planning, monitoring exploration activities, assessing geologic hazards, publishing maps and reports, and providing geoscience expertise to support government's sustainable development objectives.

Its role was initiated in 1895 and it functions today as a highly technical institution in answer to the continuing geoscientific information needs of government, business, and the general public.

The inventory of information is used to attract industry investment, to assist government's stewardship of our rich mineral resource endowment, and to help manage and protect Crown lands.

For the past 120 years, mineral exploration and mining companies have relied on BCGS's data for the identification and development of ore bodies in B.C. As a result, mining activities in B.C. are an important source of jobs and revenues that sustain our province and support our families.

Unfortunately, recent years have seen the BCGS starved of funding necessary to fulfill its mandate thereby inhibiting its ability to put adequate numbers of geologists in the field, and to maintain and update its once world leading but now aging databases, thereby impeding its ability to deliver information to government, to industry and to the general public.

It has been downsized by about two-thirds at a time when its workload and the need for their services has been growing exponentially, with few replacements for retiring and departing geologists – human resources and skills retention is now a very real problem.

B.C. is very well endowed with mineralization and BCGS has provided critical support for the

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exploration and development of revenue producing mines in B.C. Government has set objectives to increase the number of operating mines in the province. To have a robust mining sector well into the future B.C. must once again recognize BCGS's importance, and fund it appropriately to allow it to fulfill its fundamental role as B.C.'s permanent repository of geoscientific data for the province.

Yet there are challenges: At the Mineral Exploration Roundup in January 2013, industry veteran Pierre Lasseonde (a Canada's Mining Hall of Fame member) called attention to the need to do more, noting that despite record spending and high metal prices the number of large scale mineral discoveries in recent years has been dangerously low. For example, 14 deposits of 20 million ounces or more were found in the 1980s, 11 in the 1990s, only 5 in the 2000s but in the past two years - none were found, despite the high gold price and record spending.

Two assets controlled by government that are key to our exploration success are MapPlace and Mineral Titles Online. Unfortunately, the architectures of these two systems are now dated (MapPlace was developed in the 1990s and MTO launched in 2005) and need a focused effort to return them to a cutting edge state.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Provide increased and sustained base funding for the BCGS to at least 2008 levels, maintain staff of five regional geologists and conduct field programs to improve the public's and industry's understanding of B.C.'s mineral development potential, and to ensure the agency is able to continue their work of providing geoscientific information about our resources to government and to industry and the public; and
2. Continue to upgrade and update MTO and MapPlace.

SUPPORT FOR MAPPLACE AND BCGS ROLE IN IT (2015)

Background

MapPlace is an award winning website designed to facilitate easy access to the maps and databases of the Ministry of Energy and Mines. Developed by Ministry staff (with valuable input from the private sector) it has been heavily used by industry, and by government and academia, for the past twenty years and makes government's geological databases easily available to those involved in exploring, managing and developing our mineral resource endowment. It provides a variety of sophisticated tools for performing spatial searches, mapping, hardcopy reproduction and limited GIS functions.

This level of sophistication in access to geological information is one of the province's key advantages in attracting both interest and investment in mineral exploration and development. BC was a world leader in the sharing of geological and mineral exploration related data online, and continues to hold a leadership edge, particularly compared to other Canadian provinces.

However, it was initially developed 'an age ago' (in computer terms) and the software upon which it was based is no longer supported or adequate. The Chamber has advocated in the past for its update and is pleased to see it is included in the province's current IT review and update.

But now there is a concern within industry that being included within the government's on-going integration of provincial databases may negatively influence the utility of MapPlace as the needs of the provincial IT system begin to take precedence over its MapPlace component. The danger is that – as so often happens in computer software integration initiatives – the needs of system management may supersede the needs of the users.

Specifically, industry is concerned that MapPlace will no longer be driven and managed by personnel with the geologic knowledge necessary to maintain its practical – and current – utility to its users in the geological and resource communities.

One of the reasons for its great success has been the timely (within a day or two) posting and updating of data which has been made possible because GSB staff have had direct access to the servers that contain and deliver data. There is a concern that under the new regime GSB staff will not have that same access they currently have, and that data may not be posted in a timely manner, and by people unfamiliar with geology.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Ensure that the BC Geological Survey Branch personnel remain directly involved in maintaining and managing MapPlace;
2. Continue to post data in a timely manner as has happened in the past; and
3. Expedite the launch of the new revised MapPlace so that it is available to explorationists for the 2015 season.

SUPPORTING PROPOSED CHANGES IN RIGHTS OFFERING - STREAMLINING THE PROCESS OF RAISING CAPITAL (2015)

Background

Vancouver is host to the largest concentration of junior and venture capital corporations in Canada; indeed, it is a world capital and centre of excellence for mineral exploration and development with over 2000 exploration, mining and service and supply companies and the largest concentration of geoscientists in the world.

Companies headquartered in B.C. dominate both the TSX and TSX-Venture Exchanges, (58% of the mineral exploration and mining companies listed), and fully two thirds of equity raised on the TSX-Venture Exchange is raised by B.C. based companies. BC's mineral exploration and development industry is an economic driver that creates jobs, enhances infrastructure and provides significant government revenues, including to First Nations.

Unfortunately, the sector has not been spared the impacts of recent world financial vagaries, especially the slowdown in Chinese economic growth which has negatively impacted metal prices - and the financial resources available to the industry. SNL Mining and Metals reports that junior companies' exploration budgets fell 39% in 2013, and a further 29% in 2014. Lack of investor interest has forced companies to

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minimize spending; even majors have reduced their exploration budgets by 25%. Many junior companies are now in survival mode.

Prospectors and Developers Association Canada (PDAC) reports that in late 2014 the total number of financings on the TSX Venture Exchange in 2013 was one of the lowest since 1999, and year to date 2014 figures indicated a continued downturn (which has continued into 2015). Kaiser Research On-line reported 60% of Canadian listed juniors as of October 2014 had working capital balances under \$200,000; given that to simply maintain a listing on the Exchange entails a minimum cost of \$200,000 clearly the situation for many companies has become desperate.

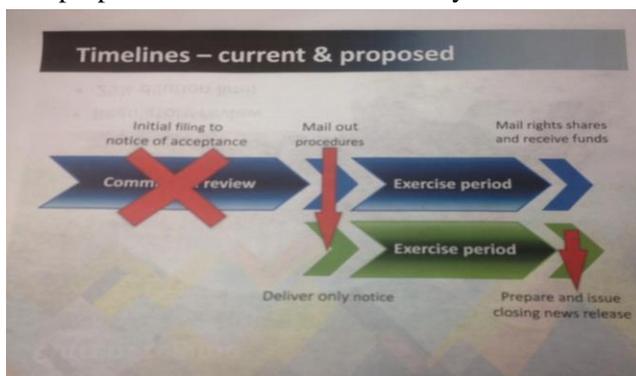
With such limited funding and uncertainty what monies are being spent are focused on advanced projects, with very little (an estimated 2% of exploration budgets) being spent on greenfields and grassroots projects. For perspective AMEBC estimates that sustained investment in prospecting and early-stage exploration at a 20% level is required to discover the new deposits that lead to advanced projects and ultimately new mines in production which provide the most revenue to governments. The current lack of funding available to mineral exploration companies will have significant consequences for B.C. mining industry's long-term future.

Partly in response the B.C. Securities Commission (BCSC) has proposed changes to the existing rights offering regime whereby exchange listed companies needing to raise funds or restructure would be able to offer rights to existing shareholders to purchase more shares from companies, without the need to prepare a (lengthy and costly) prospectus or circular. (Existing shareholders can be presumed to be already aware of a company's circumstances and risks.)

The changes proposed would reduce costs to companies and shorten the timeframe required for companies to refinance and restructure, thus allowing for a more efficient process which will allow Canadian and B.C. companies to better compete with jurisdiction such as Australia.

The existing regime entails a significant regulatory review with a technical report trigger and delivery of a circular (up to 30 pages) to all shareholders, all of which is time consuming and costly. The proposal would cut this to a 1-2-page short notice proposal being sent to shareholders with a rights certificate. A much shortened rights circular (approximately 8-10 pages) in a Q and A format would be prepared, but the requirements for business/technical disclosures, regulatory review and the requirement to send the circular to all shareholders would be eliminated.

Currently the average number of days to close a rights offering is 85 days, (109 days for a mining issuer). The proposal is to reduce this to 21 days.



Dilution is now limited to 25% which means that for companies with limited market capitalization the amounts that can be raised are severely constricted. The proposal would raise the dilution limit to 100% which would be a significant positive step. For example, a company with a \$4 million market capitalization under the existing rights offering regime could only raise \$1 million, whereas under the proposed new regime they would be able to raise \$4 million.

The BCSC notes that the rights offering regime as it stands today is seldom used (especially by venture capital issuers), because of the length of time and the high costs of the process. Across Canada 56 issuers have used this route; only 11 B.C. issuers closed, and they raised little money. What is being proposed will streamline the process, reduce costs both to issuers and to regulators, and should assist issuers in raising much needed capital.

The current intent is to have the new prospectus exemption in place by year-end 2015. Unfortunately, financing for the junior mining industry has collapsed over the past two years, and by year-end many of those companies will have ceased to function. The Ontario Securities Commission adopted the capital raising prospectus exemption in early February

THE CHAMBER RECOMMENDS

That the Provincial Government work with the BCSC, the Federal Government and other related provincial jurisdictions to:

1. Support and enact the proposed changes to the right offering regime; and
2. Expedite the implementation of the new regime to enable issuers to raise necessary funds as soon as possible.

INDUSTRIAL CAMPS NEAR OR WITHIN MUNICIPALITIES AND THEIR EFFECTS ON THE ECONOMY (2014)

As industrial camps continue to increase in size, capacity and density businesses are feeling the negative impact of camps located within a short distance of municipalities or within municipal boundaries. These camps use municipal and provincial infrastructure aggressively and commonly source goods and services from out of region suppliers. Local businesses have felt a significant decrease in their revenues as these temporary workers and employers no longer have access to the municipalities and local businesses. Local businesses also find that they are not able to bid or offer services to these camps as they bring in their own staff, transportation, medical treatment centres, groceries, building materials and other goods and services. Businesses are asking industry for an opportunity to provide these goods and services through a consultation process in which industry is encouraged to source local.

Regional Districts and municipalities also miss opportunity to collect taxation revenue due to camps that have not went through the permitting process. Regional districts and provincial government agencies approve permits for industrial camps. The process to complete permitting and onsite inspections can be cumbersome and often industrial camps open their doors before all inspections are completed or do not get permitting at all. This creates an unfair advantage for industrial camps as brick and mortar businesses located within municipalities must meet all regulatory standards, permitting, fees and taxation requirements prior to opening their business. As well, unreported camps take business opportunities

away from local businesses and investors.

Background

Industrial camps are a vital part of the growth and development of our province. These camps are used by all industries including forestry, mining, oil and gas, and green energy projects such as dams and wind farms. Municipalities and businesses welcome the opportunity to grow the economic wealth of the province as well as allowing small businesses to thrive and grow. Procurement, set up and operations are often sourced from suppliers that are not from neighboring municipalities. Businesses are currently seeing lower sales as industries move towards using close proximity camps as their primary accommodation for their staff and contractors.

It is recognized that industrial camps that are located great distances from municipalities are necessary for many reasons including health and safety of employees and accessibility to remote work sites. However; industrial camps located near or within municipalities create a direct impact on sales for local businesses and property investors. As most camps house fly in /fly out workers; they rarely spend any money within local municipalities during their shift (generally two to three weeks). As a result of being housed outside of the municipality, wages are not spent at local restaurants, grocery stores, gas stations, clothing retailers and other goods and services that residents access on a daily basis. Their earnings return to their hometown where they pay mortgages, taxes, make purchases and support the economy in their town.

All industries are governed by their own Social Responsibility guidelines and currently do lengthy consultations with land owners, aboriginal communities and local municipal and regional governments. Energy companies and camp contractors could consult with local businesses for procurement of goods and services. Through the process, it may be determined that the municipality and/or business community is unable to meet the required needs or not meet budgetary goals; on the other hand, some of the goods and services may meet those benchmarks and local businesses are then engaged. Regardless of the outcome; the local business community has been engaged through consultation and has had an opportunity to bid on the work. Though government cannot create policy directing project teams to use local businesses; they can urge industries to use local businesses as a part of their Social Responsibility mandates through a consultation process. For example, using the local Chamber of Commerce as a conduit to local businesses via luncheons and open houses.

The regulatory process for the permitting and inspecting is very complicated and difficult for both government and industry. It is costly for all parties; it affects industry due to downtime as they work through the permitting process. It affects the local business economy as camps are generally set up without using local labour, equipment, goods or services.

At time of approval of permitting, the following ministries are activated for onsite inspections:

- Ministry of Transportation & Infrastructure;
- Oil & Gas Commission;
- BC Assessment;
- Ministry of Forest Lands & Natural Resources Operations;
- Ministry of Energy & Mines;
- Northern Health;
- Ministry of Environment;
- Work Safe BC;
- BC Fire Commission;

- Agricultural Land Commission; and
- BC Environmental Assessment Office

The greater issue is camps that are not permitted. It has been identified that many camps are set up without permits. Historically and currently, many camps have not gone through the regulatory process. Not only are these camps unregulated, there is no opportunity for assessments to be completed for taxation. This underground economy works outside of the approvals, regulations, inspections and taxation requirements and not only put the health and safety of their residents at risk, but also environmental risks due to improper sewage, water, and disposal systems. As these camps are not permitted or registered in any manner, small business has no opportunity to consult or bid on potential

Providing a real time registration system between regional districts and provincial agencies would streamline the permitting process by allowing ministries to better manage their time by being able to group inspections together based on an area instead of individual camps among other efficiencies. Should time be available to staff, strategies to manage non permitted camps could be created. This process would also activate the Social Responsibility component of the project by engaging local business for procurement needs. By creating such a system, monitoring and management of camps throughout the province would be accurate and provide data to government in terms of the benefits and impacts of industrial camps in the province.

As resource development continues to grow across the province; industrial camps will be approved by regional districts and the provincial government; we need to ensure the viability of communities and their retail sector are given an opportunity to benefit from the influx of workers and employers.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Support programs that promote and encourage implementation of Buy BC programs, such as LNG Buy BC, vendor registration and vendor boot camps;
2. Create and implement a registration system shared by all regulatory bodies; and
3. Strike a committee including government, industry, and business leaders to discuss the possibility of creating regulations around disclosure of camp requirements during the project exploration and development permit phase. This would then create accountabilities for camp contractors to be compliant with provincial regulations.

OPTIMIZING THE CLEAN ENERGY ACT FOR B.C.'S ECONOMY AND ENVIRONMENTAL POLICY DIRECTION (2014)

B.C.'s Electric Supply

British Columbia's electricity grid is one of the cleanest in the world, due to its extensive renewable hydroelectric power.¹ The dams are built primarily along the province's two main river basins, the Columbia and the Peace, and are considered 'Heritage Resources' that are now producing very inexpensive

¹ BC Hydro. (2013). 2.3 Existing and Committed Supply-Side Resources. In *Integrated Resource Plan* (pp. 2-18 to 2-34).

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power. These resources are quite economical, given their long operating lifetimes and the renewable water fuel source. The Heritage Resources provide about 48,000 GWh/year at average water, which allowed for planning based on prescribed criteria for BC Hydro. Over the next few years, BC Hydro will have more energy than this; up to 8,000 GWh/year more at differing levels and frequency rates. This is non-firm power,² or what other jurisdictions reference as average power, and is exported to the electricity markets at low values. The sales are generally made to the Mid-Columbia (Mid-C) electricity market in the U.S and are estimated to have a value of about \$25 to \$40/MWh³ for the next 20 years.

BC Hydro and the province also buy energy from independent power producers (IPPs).⁴ This power comes multiple private sources, such as run-of-river generation and wind farms, and is produced at a higher price than the cost of existing, paid-for Heritage Asset power. IPP total energy prices for delivered energy were estimated around \$100.70/MWh (\$2009), with a range of \$76.20 to \$119.60, based on BC Hydro's 2009 clean power call.⁵ The total energy price for recent IPP purchases have come in on the lower end at \$71.23/MWh.⁶ To provide for delivered power, the cost of capacity in the BC Hydro system must be added to this. The costs for wind power have been decreasing significantly. In the development of the IPP industry, BC Hydro and the provincial government have made calls for power that exceed B.C.'s IRP-defined needs. The last call for power, at the beginning of the 2008 global recession, resulted in over-acquisition of power and an excess of the relatively more expensive IPP energy option, which is then sold at lower rates than it was purchased for. In addition, there is 2000 GWh/year that is provided by IPPs, at average water, which is considered non-firm energy. BC Hydro is precluded from planning to use this energy because of the planning criteria in the Clean Energy Act (CEA). This energy, unless it can be used in the province, is eventually sold in the electricity markets at lower forecasted Mid-C prices. BC Hydro and the provincial government have been moving recently to cancel some IPP purchase agreements that were in breach of their contract conditions and to defer the in-service date of others. These actions have saved a considerable amount with respect to the costs of any over-supply.

The largest source from which BC Hydro is planning to meet demand is through conservation and efficiency of existing use of energy; this is called demand-side management (DSM). The CEA defines DSM as any measure to conserve energy, to promote energy efficiency, to reduce demand directly or to shift energy use to periods of lower demand. Investing in DSM can drive up utility rates in the short-term because there is an increased cost for implementing DSM, but the revenues remain the same. The long term value of DSM is in deferring future energy acquisition costs for new power. DSM is typically cost-effective and lowers BC Hydro's rates in the long term. This can occur in spite of DSM's noted low average costs, which are in the range of \$32-49/MWh in total resource costs saved over analysis horizons.⁷

BC Hydro and the government are also planning for a new large hydroelectric dam project, which is expected to cost about \$83/MWh⁸ for the energy and about \$95/MWh for the energy and capacity. With all large-scale projects, there is a potential risk for cost overruns. Cost overruns of about 20% would make large-scale hydroelectric power less cost-effective than a portfolio of renewable wind projects. Conversely, if renewable wind project cost profiles were reduced over the next ten years, they would become the more cost-effective resource. BC Hydro is also permitted to purchase 2500 GWh/year of power from the electricity markets for planning purposes. This energy can be purchased at low load hours for \$25 to

2 Non-firm power is power which is not available every year, including under the worst water flow conditions in the past hydrologic records.

3 Northwest Power and Conservation Council. (2013). *Update to the Wholesale Electricity Price Forecast*. Portland.

4 BC Hydro. (2013). Table 3-7 Supply-Side IPP Projects in B.C. In *Integrated Resource Plan* (pp. 3-34).

5 BC Hydro. (2010). August 3, 2010 Clean Power Call Request for Proposals – Report on the RFP Process (pp.12)

6 BC Hydro. (2013). Annual Report (pp.45)

7 BC Hydro. (2013). 3.3 Demand Side Management Options Summary. In *Integrated Resource Plan* (pp. 3-13 to 3-34).

8 BC Hydro. (2013). 3.4.1.7 Large Hydro - Site C. In *Integrated Resource Plan* (pp. 3-49 to 3-50).

\$40/MWh, based on forecasts by the Northwest Power and Conservation Council, over the next 20 years.

BC Hydro expects that natural gas generated power can be produced for about \$58-62/MWh for plants over 250 MW.⁹ BC Hydro has very significant supplies of clean renewable non-firm power, which can be made firm (for planning purposes) through the optimal use of energy purchase from electricity markets and backup with natural gas generation power to ensure that the supply is secure. The total amount of this clean, non-firm renewable energy that can be made firm, and used in B.C., is equivalent to about one or two Site C projects in the amount of energy available. This non-firm energy would have a cost of about half of the cost of acquisition of new supply in B.C.

Current Policy, Issues and Policy Directions

The CEA is the legislation which governs BC Hydro's energy planning. One of the CEA's most significant policies is that of achieving self-sufficiency¹⁰ by 2016 and the related requirement that British Columbia be a net exporter of clean electricity.¹¹ This has required that the utility purchase firm power from potentially more expensive in-province IPPs, rather than use lower cost resources. The standard for self-sufficiency is determined by firm power generated at average water levels for the BC Hydro Heritage Resources.¹² If the dams produce energy in excess of this standard self-sufficiency level, it is planned to be exported at low prices to the Mid-C market. In addition, the IPP supply provides significant quantities of non-firm power¹³ that BC Hydro may not rely on for its planning. This IPP non-firm power must also be planned to be exported at low prices to the Mid-C market.

Another part of the legislation is the requirement that all electricity in British Columbia be 93% clean.¹⁴ While clean electricity is certainly an ideal worth striving for, setting such a hard cap is limiting to the province's other options. A greater priority could be given to balancing cost-effectiveness with environmental needs, rather than setting arbitrary limits on how much non-clean energy can be used. Allowing for the optimal usage of natural gas generation in firming up non-firm clean renewable energy would substantially reduce costs, repatriate B.C.'s clean renewable energy for use at much higher values in B.C. and incidentally may result in small amounts of carbon tax revenues¹⁵ at \$30/tonne of CO₂, if the natural gas backup supply is required.

The CEA also prescribes a requirement to meet new energy needs through conservation and efficiency of existing energy uses. The prescription is to derive 66% of new energy requirements from DSM¹⁶. The British Columbia Utilities Commission (BCUC) is to consider these DSM options when reviewing utility plans, except that the CEA removes the examination of electrical energy planning from the Commission and requires Integrated Resource Plans (IRPs) to be reviewed by the provincial government. The planning criteria for BC Hydro require selection of a fixed amount of DSM as a target; it then devolves into planning for supply side resources. DSM planning in the province does not lead to capturing all cost-effective conservation and efficiency opportunities. By 2020, BC Hydro is in fact planning for 78% of new supply to come from DSM in that timeframe.¹⁷ A more optimized balance between DSM and supply purchases is needed, which properly reflects the greater value DSM holds over supply in terms of both reducing long-

9 BC Hydro. (2013). 3.4.1.9 Natural Gas-Fired Generation. In *Integrated Resource Plan* (pp. 3-53 to 3-57).

10 Lekstrom, B. (2010). Section 2(a). In *Bill 17 - Clean Energy Act*. Victoria: Queen's Printer.

11 Lekstrom, B. (2010). Section 2(n). In *Bill 17 - Clean Energy Act*. Victoria: Queen's Printer.

12 Province of British Columbia. (2012). *Electricity Self-Sufficiency Regulation*. Victoria: Queen's Printer.

13 Lekstrom, B. (2010). Section 6(2). In *Bill 17 - Clean Energy Act*. Victoria: Queen's Printer.

14 Lekstrom, B. (2010). Section 2(c). In *Bill 17 - Clean Energy Act*. Victoria: Queen's Printer.

15 Taylor, C. (2008). *Bill 37 - 2008: Carbon Tax Act*. Victoria: Queen's Printer.

16 Lekstrom, B. (2010). Section 2(b). In *Bill 17 - Clean Energy Act*. Victoria: Queen's Printer.

17 Commercial Energy Consumers Association of B.C. (2014)

term costs and boosting the economy.¹⁸

The process of addressing, and optimizing, conflicting objectives in the electric energy industry is complicated by the utility's planning constraints. The Utilities Commission Act (UCA) specifies that expenditure schedules, resource plans, energy supply contracts, and other submissions must go through the BCUC in order to guarantee that they are in accordance with the province's energy objectives as outlined in the CEA and the Utilities Commission Act,¹⁹ except those exempted by the government of B.C. At this point, this includes most of the important decisions. This has led to concerns about whether the public interest is better served by government decision-making or by deliberative Commission decision-making. The balance between these forms of decision-making has yet to be optimized. The provincial Industrial Electricity Policy Review²⁰ has recommended upgrading the capacities and capabilities of the BCUC and returning more of the regulation of BC Hydro to the Commission.

A final issue with B.C.'s electric energy policy is that the contracts signed with IPP producers, in many cases, have shorter durations than the economic lifetime of their assets. When the energy purchase contracts expire, the utility will consider renewal of the contracts against its other options in order to reacquire the energy. The cost of financing these projects is paid over the initial term of the contract, and if the supply is renewed at market prices it will effectively be paid for again.²¹ A more optimal system would involve the renewed contract payment acknowledging the completed status of the project and the price for energy being substantially lower to reflect this. Furthermore, BC Hydro should obtain residual rights in its initial contracts, to renew the power supply agreements over the economic life of the assets. The IPP power acquisition process, with its single metric targets and truncated BCUC approval process should be revamped with a focus on seeking optimization of objectives and cost-effectiveness. If this is carried out, the blended cost of firm and non-firm renewable energy from both Heritage Resources and IPPs could be as low as \$70/MWh,²² making it competitive with natural gas-fueled energy supplies. Much more clean energy could be obtained for B.C. at much lower costs through these methods. The benefit to B.C. with this approach is estimated to be worth about \$10 billion to the B.C. economy, an optimization benefit worth pursuing.

The B.C. government is in the process of considering revisions to the BCUC as part of preparing to return the Commission to its more traditional role in rate-setting. The government's Industrial Electricity Policy Review provided comments on the value of the role of the BCUC to government in providing BC Hydro oversight.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Remove the self-sufficiency requirements from the Clean Energy Act, to facilitate optimal beneficial energy trading with other jurisdictions;

18 IndEco Inc. & Econometric Research Limited. (2008). *The Employment Impacts of Energy Conservation*. Toronto.

19 Province of British Columbia. (1996). *Utilities Commission Act*. Victoria: Queen's Printer.

20 Ministry of Energy and Mines. (2013, September 6). *Industrial Electricity Policy Review*. Retrieved from Province of British Columbia: <http://www.empr.gov.bc.ca/EPD/Pages/IndustrialElectricityPolicyReview.aspx>

21 Commercial Energy Consumers (CEC) Association of BC. (2013). *Comments on the BC Hydro Integrated Resource Plan of August 2013*.

22 Craig, D. (2014). Meeting the Economic-Environmental Challenge: Affording It All. *Pacific Energy Innovation Association Forum 2014*. Vancouver.

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2. Remove the hard requirement that all electricity generated must be 93% clean and focus on balancing GHG emissions and B.C.'s economic objectives;
3. Remove the 66% DSM target and focus on the balance between DSM and additional supply investments, in order to capture the long-term economic opportunities for both;
4. Revamp the IPP purchasing process in order to enable access to more cost-effective IPP supply in the future;
5. Develop plans for the next IRP to optimize the use of B.C.'s clean renewable non-firm energy and market energy for the benefit of B.C.'s economy; and
6. Improve the BCUC's capacities and capabilities to enable Commission deliberative consideration of more of the optimization trade-offs in energy planning than has been allowed under the CEA in recent times.

THE IMPORTANCE TO THE ECONOMY OF EXPANDED OIL PIPELINE INFRASTRUCTURE (2014)

Energy and related products are a significant part of British Columbia and Canada's annual exports. Along with metals and mineral products, they represent the single largest positive annual contribution to Canada's balance of trade.

In B.C., energy commodities generate direct and indirect wealth through production and export of coal, oil, natural gas, and electricity. These commodities already support tens of thousands of jobs in B.C. There is an unprecedented opportunity for them to play an even greater role in the economy, to the benefit of all Canadians.

Through development of new pipeline infrastructure, oil can create exceptional opportunities for B.C.'s small and medium sized enterprises, serve as an important source of near-term and long-term job creation, and generate lasting benefit for the Province, municipal governments and communities.

Oil pipeline infrastructure has national economic significance. Canada's primary energy transmission pipeline system is approximately 115,000 km in length, and the total pipeline network is approximately 840,000 km including regional gathering, feeder and distribution lines. By comparison, there are 38,000 km of primary highway transportation linkages across the country.

The Chamber believes this infrastructure is critical to both the B.C. and Canadian economy, with the ability to transform Canadian oil producers from price takers to price makers in international markets. In 2013, the Canadian Chamber of Commerce produced a study highlighting the fact that domestic oil production in western Canada is set to double to more six million barrels per day. When this fact is combined with North American oil transportation bottlenecks due to the lack of infrastructure to markets other than the U.S., Canadian producers are being forced to sell their products at a discounted price, which costs our economy up to \$50 million a day. That is \$18-\$19 billion a year, in discounted prices selling into the U.S. market compared to the prices that Western Canadian oil could achieve through improved access to markets in the Asia Pacific. This price differential, which takes away potential tax revenues that could be used to provide services for the people of Canada, should be a concern for everyone.

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The Chamber supports resource development, and the associated infrastructure such as pipelines that grow our economy and create jobs. This support is showcased in the Chamber policy entitled *Supporting Canada's Responsible Resource Development (2013)*, which highlights the economic benefit of Northern Gateway Pipelines.

Another key piece of infrastructure to unlocking the forfeited wealth of our landlocked oil resources, by providing greater access to tidewater that allows our oil to be moved to new markets that pay world prices, is the Trans Mountain Expansion Project (TMEP).

The public discussion about the Trans Mountain expansion, and other pipeline projects, overlooks both the foundational role that oil pipeline infrastructure plays in the B.C. and Canadian economy, not to mention the commitment of the National Energy Board to conduct a thorough and transparent review of the project. This review process will help assure the Canadian public that these projects meet high standards for safety and environmental protection.

The capital cost of the TMEP alone is estimated at \$5.4 billion (\$2012), with the expenditures taking place over a seven-year period, from 2012 to 2018. The bulk of the spending activity is expected to take place in 2016 and 2017, during construction.

The development phase and the first 20 years of operations will boost B.C. GDP by at least \$8.5 billion and Federal GDP by \$13.3 billion.

An additional \$2.4 billion in operations spending will flow into the economy over the 20-year-life of the project. Tax payments through the construction and operational phases will total \$2.1 billion for the federal government, \$1 billion for B.C.

In communities, along the proposed pipeline corridor, annual property tax payments to more than 20 local governments and more than 24 Aboriginal communities would more than double to \$52.4 million from \$25.9 million per year. Those payments can support community services such as police and fire protection, recreation and infrastructure, and can also be used to reduce the size of other property tax increases.

Abbotsford is projected as the second-largest municipal beneficiary, forecast to receive \$1.304 million in additional taxes for an annual total of \$3.369 million. It is followed by:

- Kamloops (up \$1.278 million to \$2.856 million);
- Chilliwack (up \$944,000 to \$1.608 million); and
- Hope (up \$594,000 to \$1.274 million).

The Thompson-Nicola Regional District would receive an additional \$7.484 million for a total of \$13.135 million annually, followed by Regional District of Fraser-Fort George (up \$1.858 million to \$4.041 million) and Fraser Valley Regional District (up \$1.273 million to \$2.314 million).

The need for pipeline infrastructure is good for job creation. A project of the size and scope of TMEP will generate 58,000 person-years of employment across Canada during construction, including 36,000 in B.C. Over the life the project, total employment is expected to reach 108,000 person-years including 66,000 in B.C.

Project development will generate \$3.3 billion in labour income across Canada. Approximately 58% (or \$1.9 billion of labour income) will be generated in B.C. The project will generate large demands for

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goods, services and workers, with an emphasis on local hiring, procurement, and sourcing.

The Chamber anticipates that there will be opportunities for regional-based employment during construction as well as associated increases in labour income. Key factors to consider include development of an awareness program around pipeline jobs, working with business, industry, community, education, and training organizations.

Aboriginal residents stand to benefit from consideration for hiring and the initiation of an Aboriginal employment and training program to increase access to Aboriginal employment opportunities to meet the demands of projects such as Trans Mountain.

The proposed expanded operations are anticipated to create 50 direct new full-time permanent positions in B.C., which, when added to existing Trans Mountain pipeline system jobs, create a total of 342 jobs per year or 6,841 employment years over the first 20 years of operation of the expanded pipeline.

Indirect effects of the expansion include an estimated 1,492 spinoff jobs annually, or 29,845 person years of employment over the first 20 years of operations, with most of those jobs in B.C. These jobs include construction, financial services, professional services, manufacturing and transportation.

It should be recognized, project safety and integrity measures receive extensive study by pipeline proponents, including marking and protection of sensitive environmental areas during construction, pipeline spill prevention, emergency preparedness and response to land-based and marine environments in the event of a spill.

The new pipeline segments and new facilities associated with the TMEP would withstand a one-in-2,475-year earthquake. The risk of a major marine spill is reduced to a one-in-2,366-year event through enhancements to oil tanker tug escort protocols.

There are also proposed enhancements to spill response and recovery along the tanker route in the Salish Sea due to efforts of a federal Tanker Safety Review Panel. Trans Mountain and other pipeline proponents have indicated a commitment to the creation of a world-class spill prevention and response regime and the provincial and federal governments continue to indicate this is a priority for them. The commitment of all parties to this goal and the actions taken so far should give Canadians confidence that the project can be supported.

THE CHAMBER RECOMMENDS

That the Provincial Government, upon favourable completion of the environmental review assessment conditions:

1. Continue to support a responsible framework for resource development, including a world class marine tanker safety regime with enhanced marine spill response capability, and a world class terrestrial safety system.
2. Provide greater clarity and specificity on B.C.'s provincial interest, commonly known as the "five conditions," in order to provide certainty, predictability, and stability that encourage capital investment
3. Engage Chambers and other organizations in project pipeline construction communities to maximize opportunities for local businesses during construction and operation of all major projects, including increased opportunities for First Nations participation.

PROPOSED NATIONAL MARINE CONSERVATION AREA RESERVE – STRAIT OF GEORGIA (2016)

Preamble

The beauty of British Columbia is intrinsically tied to tourism, external investment, and the health of our communities. In 2003, Canada and British Columbia signed a memorandum of understanding to establish a National Marine Conservation Area (NMCA) Reserve in the southern Strait of Georgia. Within the NMCA Reserve boundaries, the marine environment would be protected from ocean dumping, undersea mining, and oil and gas exploration and development. The proposed boundary is within a heavily populated area with high levels of private, commercial and public activities. Restrictions to activities within this intensely-utilized marine area could negatively affect the regional economy.

Business Issue

The Chamber believes the proposed establishment a NMCA Reserve in the Southern Strait of Georgia can contribute to our economy, attract investment, create household-sustaining jobs, and support local business.

The area of consideration is home to hundreds of thousands of people, is a major international trade route, has a considerable amount of foreshore title land, and has a maze of jurisdictional players.

The Chamber believes the biggest risk to commercial and recreational activities is any stakeholder confusion or uncertainty leading up to and after the Strait of Georgia NMCA Reserve.

Background

The conservation of marine environments is taking on global significance. In response to this, the Government of Canada began a NMCA program in 1994. In 2003, Canada and British Columbia signed a memorandum of understanding to establish a National Marine Conservation Area (NMCA) Reserve in the southern Strait of Georgia.

A “Reserve” is established when there are First Nations land claims in an area. Given the number of unresolved First Nations claims in the Southern Strait of Georgia area, an NMCA Reserve would be established here pending resolution of the claims. Once all claims are resolved, the area would become a NMCA.

The Strait of Georgia marine region is the smallest of five marine regions found on Canada's Pacific coast, yet it is also one of the most productive.¹ It is also a region intensively enjoyed by British Columbians and visitors each year. The rich sub-tidal communities provide some of the best scuba diving in North America and pleasure cruising is world class, whether it be in a yacht or a kayak.

Impact on Commerce and Residents

If the Southern Strait of Georgia NMCA Reserve is established, ownership of provincial lands - including the seabed - would be transferred to the federal government. For waterfront residential and commercial properties, that means the submerged lands below the high-tide watermark would be transferred from the Province of B.C. to the Government of Canada.

Beyond the transfer of submerged lands ownership, there is a complex jurisdictional maze that includes

¹ See Annex for 2011 Proposed Boundaries

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First Nations, regional districts, municipalities, transportation authorities, and island trusts. This area also has more than 100,000 residents and countless visitors who have relied on easy and free access to waters for decades. Such a delicate operating environment has a direct impact on residents' quality of life as well as on businesses.

One of the frequently discussed business impacts surrounding the navigable waters within the 2011 proposed boundaries is marine transportation; it is BC Ferries "backyard" and a transit route for thousands of cargo shipments per year.

There are many practical questions that still need to be answered, such as how will the NMCA Reserve operations - including enforcement - be funded? Who makes the decision to halt or alter commercial vessel traffic patterns if zones need to be established or amended? How will the success of the NMCA Reserve be measured? Who will manage affected land use, e.g. issue permits for private infrastructure that extends below the high-tide watermark? These are questions that need to be answered before the NMCA Reserve is implemented to ensure a welcoming business environment and public support.

Decision-Making Environment

The Government of Canada and the Province of B.C. will have numerous challenges facing the proposed Georgia Strait NMCA Reserve, including:

- continuing to allow high concentration of commercial and recreational marine traffic in the area,
- the potential for a variety of inter-departmental jurisdictional issues, e.g. fishing and marine transportation falling under both Fisheries and Oceans and Transport Canada and in collaboration with Parks Canada, and
- the proposed NMCA Reserve is expected to fall under the *Canada National Marine Conservation Areas Act*, and as such, would not address specific conditions relating to the Southern Strait of Georgia's unique environment.

Commercial activities within the Southern Strait of Georgia are critical to our economy. Vancouver Island's coastal communities stand to be greatly affected by the proposed NMCA Reserve, namely their real estate prices, their businesses, as well as their way of life. This leads to a highly charged and politicized environment that can interfere with sound policy decisions, consequently making the region vulnerable to complex change driven by vocal minorities instead of sound principles.

Progress to date

Parks Canada has hired a full-time employee to manage the specific file, and is working on a number of studies to develop a comprehensive understanding of the region and to reach a determination of the feasibility of the proposed NMCA Reserve. The Chamber expects this research to include a thorough analysis of current and forecasted commercial and recreational activity, as well as how such activity may be affected by the establishment of an NMCA Reserve - before the reserve is created.

The proposed Southern Strait of Georgia NMCA Reserve should balance the needs of the economy with the environment. Issues should be anticipated and questions answered prior to implementation. Critical points need to be incorporated into separate legislation to ensure a stable and transparent decision-making environment for all stakeholders.

Summary

The Chamber appreciates the need to balance the conservation of our environment. The Chamber recognizes that the beauty of British Columbia is intrinsically tied to tourism, external investment, and the

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health of our communities.

The Chamber is supportive of continued dialogue regarding the proposed NMCA Reserves in the Strait of Georgia, provided Strait of Georgia's unique environment and its importance to the health and prosperity of the regional economy is clearly recognized.

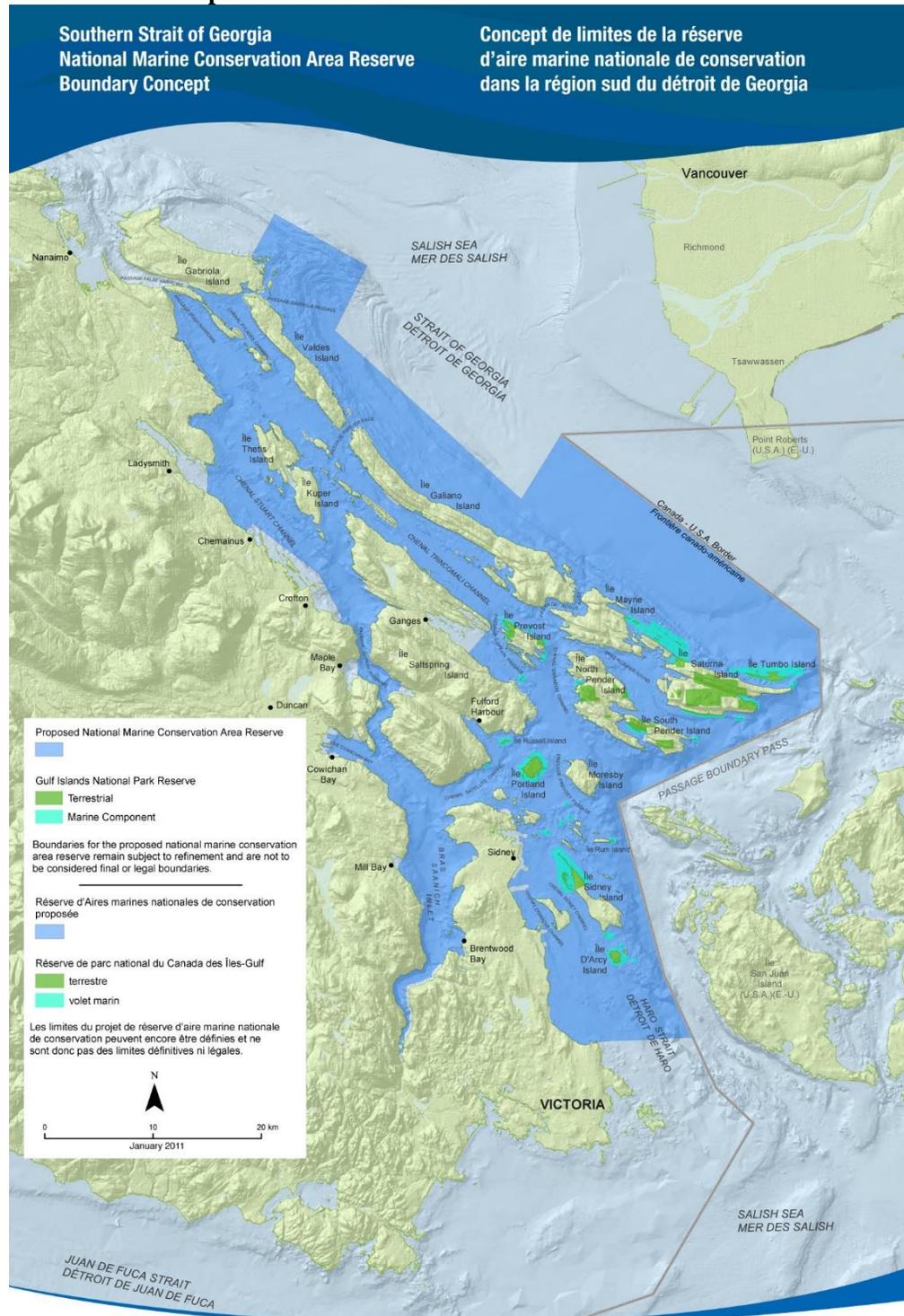
To that end, the Chamber expects a specific piece of legislation is enacted to address unique nature of the Strait of Georgia NMCA Reserve, such as was done with Saguenay-St. Lawrence Marine Park. Such legislation would mitigate any confusion or uncertainty, allowing businesses, residents and visitors a stable and transparent decision-making platform.

THE CHAMBER RECOMMENDS

That the Provincial Government works with the Federal Government to:

1. Conduct a thorough analysis of current and forecasted commercial and recreational activity as well as how such activity may be affected by the establishment of an NMCA Reserve before the reserve is created; and
2. Enact a separate piece of legislation for the Strait of Georgia NMCA Reserve to allow businesses, residents and visitors a stable and transparent decision-making platform.

Annex – 2011 Proposed Boundaries



REMEDATION STANDARD FOR LEGAL AND ILLEGAL SUBSTANCE AFFECTED PROPERTIES (2016)

Currently, if a home or commercial property has been identified as being used to cultivate or manufacture drugs, illegal or otherwise, it would not be financeable by a mainstream conventional mortgage due to a lack of a standardized remediation schedule that is universally acceptable to lenders and insurers.

Compounding this problem, it is increasingly more difficult and/or costly to insure these properties which in some cases makes alternative financing altogether cost prohibitive because of the same lack of standard. Given the number of illegal marijuana grow-ops which have been identified to date, and the number of Health Canada Licenses having been issued for Personal Use (PUPL) and Designated Personal Use (DPPL), it is reasonable to say that this lack of acceptable standard poses a substantial risk to the financeability of a significant segment of our residential housing stock in British Columbia.

Although much attention has been paid to the real estate market in the Greater Vancouver area and the Fraser Valley region, this is a province-wide problem. Non-financeable homes pose differing difficulties to various parts of British Columbia. For example, in Quesnel and other similar economic regions, homes are often being left abandoned and are unable to be re-introduced in the housing supply. Whereas in areas such as the Fraser Valley, which traditionally attracts new homebuyers with more affordable homes as an extended suburb of the Metro Vancouver region, the decreasing stock of mortgageable properties is making it increasingly difficult for these home seekers to make a purchase. A Freedom of Information request made by the District of Mission in 2013 uncovered that their community had 583 PUPL and 73 DPPL licenses and an additional 671 ATP (Authorized to Possess) licenses covering a population of approximately 34,000 residents and between 15,000-18,000 residential homes.¹

As a secondary concern, but no less alarming, the homes across the province that cannot be sold and reintroduced into the housing stock legitimately (and with full remediation) have the potential to be sold privately to unsuspecting buyers after the seller has done some marginal repairs to the home. This problem is not only affecting the current availability of homes, but is also a public safety concern since we have no standardized schedule of remediation.

Further background research to illustrate the problem include quotes from financial institutions:

- *"We will not enter into any credit deals that have been deemed as current or previous operation (illegal substances)". "Even if the Structure is torn down, the property remains tagged and we still do not fund these credit deals"*
- *"If we know about the issue (former or current illegal substance operations) at the start of our interview process, we don't proceed with the application."*
- *"All chartered banks and most single stream mortgage lenders will not finance former illegal substance operations such as grow-ops." "In most cases with alternate financing, more than a 50 percent down payment is required and some level of underwriting is required."*

¹ <http://www.mission.ca/municipal-hall/departments/economic-development/community-profile/housing-market/>

- *"I have one regular homeowners market that will insure a former grow op." "No matter how long ago they require Current Air Quality testing provided by a qualified contractor with CGL in place, current Electrical passed permit by someone with a CGL in place and current personal inspection by the broker, no matter how long since the grow-op."*

While this challenging problem to our housing stock has received limited attention from a few individual municipalities, the organizations that are directly involved in the housing industry, such as the BC Real Estate Association (BCREA) and BC Homebuilders Association, have been actively advocating for provincial government intervention. To date, there remains no consistent or universal policy that will satisfy the needs of potential buyers, financial institutions or insurers in any meaningful way.

We believe the only way to sufficiently address this situation is for the Government of British Columbia to take a lead role in developing the necessary standards. Exemplifying an example of this, the Government of Alberta has shown excellent leadership regarding this concern. Prior to the last Alberta General Election, the Grow-Op Free Alberta Final Recommendations Report was adopted in 2014 containing 37 recommendations that encompass the health, safety and remediation challenges residential grow operations pose to current inhabitants, potential buyers and the community and province as a whole. The B.C. government could certainly use these recommendations as a firm starting point.

THE CHAMBER RECOMMENDS

That the Provincial Government and Federal Government develop a comprehensive remediation standard to secure the conventionally available housing stock affected by the legal and illegal manufacture or cultivation of substances, which will satisfy the needs of the industries affected including the real estate, financial, insurance and construction related industries and the clients they serve.

RENEWED INTEREST IN BROWNFIELD REMEDIATION (2016)

Brownfields are an ongoing problem in communities across Canada. They affect both large cities and small rural municipalities, and can be any size – from small, former gas stations to large chemical processing sites.

Brownfields can be defined as “abandoned, vacant, derelict, or underutilized commercial or industrial properties where past actions have resulted in actual or perceived contamination and there is an active potential for redevelopment.” (National Roundtable on the Environment and the Economy, 2003)

Whether these sites are large or small, there are costs to inaction, and according to the Province of B.C., there are anywhere from 4000-6000 brownfield sites across the province.¹ Brownfields can blight neighborhoods, impede municipal development or investment, lower property values, result in unpaid taxes, and increased enforcement and policing costs. That’s not to mention the potential environmental damage, contaminated soil and groundwater, safety, and health risks. Many of these can be found on the B.C. Ministry of Environment Site Registry, but this has limitations. The Site Registry is not solely a registry of contaminated sites, and it does not clearly outline the steps to redevelopment potential needed on each site.

¹ <http://www.brownfieldrenewal.gov.bc.ca/basics.html>

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Municipalities play an important role in remediation, even on private land with planning, proper zoning and incentives for developers. In some case municipalities may also own contaminated sites themselves, or have assumed responsibility for such sites. The provincial government also plays an important role in setting out the legislative framework, as well as supporting the assessment and remediation/risk management activities that need to take place.

The Federation of Canadian Municipalities (FCM) has played a leading role in supporting communities and private sector partners. They provide grants for planning and loans for remediation projects at low cost.

Ontario was the first province in Canada to recognize that the upfront costs faced in the development of brownfields is a barrier to redevelopment, and therefore created incentives in 2004. The Brownfields Financial Tax Incentive Program (BFTIP) is an initiative of the Government of Ontario to encourage the cleanup and redevelopment of brownfield properties. It allows municipalities to provide property tax assistance to property owners in connection with environmental rehabilitation of brownfields properties within an approved community improvement project area. It also provides provincial tax incentives that match municipal tax assistance (through a reduction in the provincial education portion of the taxes for that property). Other jurisdictions in Canada, including British Columbia, have followed Ontario's lead with their own programs and incentives.

The Province of B.C. has definitely played a leadership role with its *Brownfield Renewal Strategy*, which helped to build awareness of brownfield issues. It encouraged communities to take advantage of the *Revitalization Tax Exemption* through the Community Charter, which allows municipalities to provide property tax exemptions for brownfield redevelopment projects (similar to the municipal property tax assistance portion of Ontario's program). The strategy included funding for site assessments as 'seed' money to assist in moving brownfield sites across the province back into productive use. The five-year Funding Program granted approximately \$7 million towards site assessment projects and was completed in 2013/2014.

It is important that B.C. maintains its momentum, and to recognize that brownfield redevelopment is a business issue. It is also an issue at risk of falling off of the provincial government agenda. The Province's *Brownfield Renewal Strategy* website acknowledges that Brownfield redevelopment can:

- improve local economic growth;
- increase local tax revenue from redeveloping vacant & underused properties;
- enhance land values surrounding redeveloped brownfields;
- replace lost jobs by creating space for new industry on redeveloped brownfields;
- and be a catalyst for surrounding development, creating a favourable climate for more brownfield redevelopment projects.

FCM has noted that for every \$1 invested in brownfield redevelopment, an average of \$3.80 is invested in the economy. Further progress can be made to enhance transparency on liability issues, and on site specific information for developers. Additionally, incentives are needed for private sector motivation on land that is known to be contaminated and would not be redeveloped otherwise.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Update the BC Brownfield Renewal Strategy, and continue to provide municipalities and developers with clear rules, incentives, and information;
2. Develop an inventory of all brownfield sites in British Columbia that are available for redevelopment so that municipalities and developers have clear awareness of redevelopment opportunities that are eligible for incentives through provincial programs, the FCM Green Municipal Fund, or other programs;
3. Follow Ontario’s lead in its Brownfield Tax Incentive Program which involves a cancellation or deferral in the provincial portion of property taxes to match a reduction in the municipal portion (i.e. provincial matching of the existing Revitalization Tax Exemption available to communities through the Community Charter); and
4. Consider re-investment in the Brownfield Renewal Strategy Funding Program for the next 3-year budget cycle.

PROMOTING INNOVATION IN REGIONAL SOLID WASTE MANAGEMENT (2015)

Issue

The Chamber asserts that there is a growing disconnection between the goals of reducing waste, increasing diversion rates and the cost that independent businesses are being asked to bear. In an effort to increase environmentally sustainable communities, governments at all levels have begun to develop policies aimed at reducing single stream processing centres for garbage and transferring the costs of an integrated waste management programs onto producers of that garbage. The impact of this shift in philosophy is increased cost burden being placed on waste haulers, waste service providers and local businesses, with little or no economic benefit. Because the Chamber believes that these policy restrictions set barriers that limit private enterprise from the ability to afford investment in innovative technologies from entering the solid waste management market.

Because regional governments are moving to impose increased regulatory burdens, we assert that this shift represents an unfair advantage held by the governing bodies. As a result, publicly owned facilities profit at the expense of private sector facilities.

In 2013, Metro Vancouver attempted to introduce proposed Bylaw 280—a bylaw that would institute flow control measures that would allow the region to increase tipping fees at will, maintain a feedstock for an incinerator and position the regional government to create a monopoly on solid waste services. Eight other regional districts¹ have supported Metro Vancouver’s efforts to institute flow control after a lobbying efforts by Metro Vancouver, making the issue provincial in nature.

B.C. Minister of Environment Mary Polak rejected proposed Bylaw 280 in 2014 citing concerns that the regulation would have:

- the potential to “stifle competition” in the waste management sector;
- the potential for increased illegal dumping;

¹ Capital Regional District, Regional District of Okanagan-Similkameen, Alberni-Clayoquot Regional District, Comox Valley Regional District, Regional District of Nanaimo, Regional District of Central Kootenay, Regional District of North Okanagan, and Cowichan Valley Regional District

- possible negative effects on MMBC; and
- a “destabilizing” effect on private-sector collecting and hauling.²

However, proposed Bylaw 280 is not the only method endorsed by Metro Vancouver to increase diversion that industry has concerns with. Other concerning methods, since the Minister rejected proposed Bylaw 280, include:

- shifting the tipping fees to be cheaper for large haulers while placing small haulers at a disadvantage; and
- refusing to accept specific private industry methods that can be used in tandem with source separation to increase diversion.

Unsustainable Financial Model

Metro Vancouver’s waste reduction goals are contradicted by the methods in which Metro Vancouver collects revenue for its waste management programs. The first two goals of the Integrated Solid Waste and Resource Management Plan (ISWRMP)—minimize waste generation and maximize reuse, recycling and material recovery—both reduce the resource from which Metro Vancouver gains its main revenue stream, waste. Metro Vancouver depends on tipping fees for 85% of its revenue according to the Metro Vancouver solid waste budget³. Part of that budget goes into efforts to increase waste diversion resulting in smaller and smaller revenue streams. The budget projections between 2015 and 2019 presented at the Zero Waste Committee Meeting on February 5, 2015 state that with the new tipping structure format, there will be a \$3 million average deficit every year until 2019. It should also be noted that this budget does not include the expansion of capital expenditures like the proposed \$1 billion incinerator. The Chamber asserts that by allowing private enterprise greater access to the waste management market, private industry can add to the achievement of Metro Vancouver’s goals, create a market of opportunity and as a consequence, decreasing government expenditures.

The Role of the Regional District

The Chamber’s asserts that a regional district’s main function is to provide regional services where, and only where, it is more cost effective than for municipalities to offer such services on their own, or if there is no other organization to provide services for a given region. In that regard, The Chamber believes that regional governments must be held accountable for seeking the most cost-effective and environmentally prudent means of waste disposal solutions that promote cooperation and competition. Additionally, in the spirit of competition, the Chamber believes that regional or municipal government authority should not extend to the selection of waste diversion methods other than to license facilities by setting up results-based operating standards and ensure that facilities are working to achieve the goals of the ISWRMP during their operation.

The ISWMP states that the diversion of waste from disposal occurs through open and competitive private sector markets. Additionally, we understand that recycling, as defined under the Environmental Management Act, can occur at any point prior to disposal. In other words, there is no prescribed idea of only source separation, but that many methods of recycling can be used to achieve desired diversion goals.

Chamber members have indicated concern regarding the conflict inherent in the role that Metro

² Ibid.

³ Greater Vancouver Regional District Zero Waste Committee. (2015, February 5). Regular Meeting. 2nd Floor Boardroom, 4330 Kingsway, Burnaby, British Columbia: Metro Vancouver.

Vancouver plays as both the licensing body for the waste management industry, but also as an operating player in the market, drawing revenue from the disposal of waste. Without increased separation of the operational and licensing roles that Metro currently performs in relation to the licensing of solid waste and recycling facilities or a third party appeal process of Metro decisions, there is an inherent conflict that does not serve the residents and businesses of the region. Instead, there is a great incentive for Metro Vancouver to make licensing decisions based on what will best suit the region's capacity to generate revenue and expand its operations as the owner and/or operator of transfer stations or incinerators. Instead, Metro Vancouver can make more cost-effective decisions based on the best value for its member municipalities by promoting innovation in the private sector that allows for more cost-effective methods of waste diversion and waste disposal.

The Chamber understands that regional government has a role in setting waste diversion targets and operational regulations and following through with enforcement. But the Metro Vancouver region is also in direct competition with the private sector by providing services that can be provided by existing private waste businesses in a more efficient and cost-effective manner than government. Making it easier for private industry to invest in the waste management system will reduce cost to those businesses that generate waste.

Provincial Government Guideline

The Chamber acknowledges the steps that the provincial government is taking in order to address the issues raised by the Chamber. The announcement made on May 21, 2015 of the update to the guideline for the preparation of regional solid waste management plans, which have not been updated since 1994, is a promising opportunity for consultation with the business community. The six guiding principles laid out by MLA Marvin Hunt in his review of solid waste diversion in BC that will be included in an intentions paper in summer 2015 reflect the recommendations made in this policy proposal.

THE CHAMBER RECOMMENDS

That the Provincial Government works with Regional Districts to:

1. Structure or restructure waste management policies in a manner that
 - a. Reduces the expenditures of the regional government on publicly-owned facilities (if they are in direct competition with private industry); and
 - b. Promotes innovation and investment by private enterprise;
2. Collaborate with all members of the Commercial Sector to set waste reduction & diversion goals allowing the achievement of those goals through open market processes;
3. Create policies and regulations that recognize new and future recycling and waste diversion technologies as secondary processing facilities (i.e. MRFs, Recycling Depots, etc.) and not as final disposal facilities (i.e. landfills, incinerators, etc.);
4. Reduce, amend, or annul regulation and other systemic factors that support a government monopoly or monopsony of solid waste management; and
5. Direct regional governments to develop regulations in a manner that prevents the creation of government monopolies or monopsony's for solid waste management in the multi-family and industrial, commercial and institutional sector.

PROTECTING BRITISH COLUMBIA WATERS FROM ZEBRA AND QUAGGA MUSSELS (2015)

Issue

The rapid spread of invasive zebra and quagga mussels through fresh waters east of Saskatchewan has had devastating impacts on hydroelectric power, marine shipping, fishing and tourism industries. These species have recently spread through waterways in the southwest United States, and now pose an imminent threat to fresh waters in British Columbia. The provincial government must take decisive action now to avoid irreversible damage to our marine and tourism industries.

Background

Quagga and zebra mussels pose a serious and costly threat to aquatic ecosystems, salmon populations, tourist destinations, hydro power stations and other infrastructure facilities throughout British Columbia. Native to Eastern Europe and Western Asia, quagga and zebra mussels have caused millions of dollars in damage to the Laurentian Great Lakes area and have cost the North American economy billions of dollars to control. The damage these species cause is diverse; among other things, quagga and zebra mussels:

- Disrupt native ecosystems by altering food webs, concentrating pollutants in their wastes, and inducing bird and fish kills;
- Attack infrastructure by clogging water intakes and distribution systems, and by damaging pumps and hydroelectric power generating facilities;
- Injure tourism (and tourists) by fouling beaches with razor sharp shells and decay odour; and
- Hurt marine industry by impairing the structural integrity of steel and concrete (such as are found in marinas and port facilities), and causing damage to watercraft.

Zebra and quagga mussels typically migrate from one body of water to another on or in watercraft, but can also be transported on boat trailers, fishing gear, recreational equipment and float planes. In addition to adults that attach themselves to hard surfaces, larvae, which are invisible to the naked eye, are easily transported to new waters in ballast tanks and bilges. Once introduced to a body of water, there is no known way of eradicating zebra and quagga mussels. Their unwelcome presence is permanent, and the damage they cause perpetual.

Fortunately, the advance of these species has not reached the lakes and waterways of British Columbia. But the danger to these waters and the economies they support could not be clearer. On March 12, 2014, Canada Border Services Agency (CBSA) staff in Osoyoos, British Columbia observed invasive mussel shells on a boat being transported from Lake Pleasant, Arizona. Though federal legislation did not then allow mussel-contaminated boats to be stopped at the border, the hauler voluntarily allowed the boat to be detained and decontaminated. This incident represents just one of many potential catastrophes averted.¹

Our own federal government has recently taken decisive action to combat the threat of invasive mussels. The new Aquatic Invasive Species Regulation² (AISR), which is expected to come into force this year, will provide a comprehensive response to invasive mussels. However, giving full effect to the AISR requires action from provincial governments, in the form of both complementary legislation and commitment of resources.

¹ In 2011 and 2012, authorities in Idaho stopped more than six boats per year bound for western Canada that were infested with mussels.

² The proposed AISR were published in the Canada Gazette, Part I, on December 6, 2014. The associated public consultation period concluded on January 5, 2015. It is expected that the final Aquatic Invasive Species Regulations are expected to be published in Canada Gazette, Part II, in 2015.

Already Manitoba has proposed legislation³ to complement the AISR and signaled an intention to dramatically increase the resources it devotes to combatting invasive mussels. Among other things, legislation proposed in Manitoba would provide for the establishment of permanent or temporary control stations for inspecting and/or decontaminating watercraft. Such stations, combined with compulsory inspection regimes, have been deployed to great effect in Idaho⁴, Oregon⁵ and other states.

Though British Columbia has taken steps in addressing this issue⁶ it must quickly follow the other states and provinces that have intervened aggressively to stop the spread of zebra and quagga mussels.

The Province's proposed three roving boat check stations and street signs, combined with the Pacific Northwest perimeter is likely not enough. U.S. invasive species coordinators from Idaho and Washington, highly recommend that B.C. not rely on other jurisdictions for checkpoints. They backed this up with stories of watercraft that had been "decontaminated" in one state, and upon inspection in another state, more live mussels were found. Even in Idaho, with its comprehensive inspection program, the coordinator indicated their program is seasonal, people will bypass the inspection stations to save time and even well-trained inspectors miss things. The U.S. states will not decontaminate boats that are headed to B.C., but will call the province, in which case, if the Conservation Officers do not intercept the boat along a planned route the mussels can remain undiscovered.

The perimeter is good to have, but cannot be relied on.

If our province fails to take aggressive steps to neutralize the threat of incoming mussels, the cost of zebra and quagga mussels infesting British Columbia's waters is likely to be in the hundreds of millions of dollars over the next decade.⁷ Virtually every industry that interfaces with freshwater will be affected, including the pacific salmon fishery, hydroelectric power generation, tourism, and marine shipping. The provincial government must act immediately to stop zebra and quagga mussels from causing severe damage to our economy.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Follow upon legislation that is complementary to the federal *Aquatic Invasive Species Regulation* that aggressively meets the risk that invasive mussels pose to British Columbia's waters with appropriate funding and staff resources;
2. Continue to cooperate with states and provinces already engaged in the fight against zebra and quagga mussels to coordinate responses and develop best practices;

³ *Water Protection Amendment Act (Aquatic Invasive Species)*, 4th Session, 40th Legislature, Bill 12

⁴ <http://www.agri.idaho.gov/Categories/Environment/InvasiveSpeciesCouncil/documents/DataReviewFINAL011514.pdf>

⁵ http://www.dfw.state.or.us/conservationstrategy/invasive_species/docs/AISPP_2013_Annual_Report_Final.pdf

⁶ British Columbia amended its *Controlled Alien Species Regulation*, B.C. Reg. 94/2009, in December 2012 to specifically address the threat of zebra and quagga mussels, has provided funding for education and prevention, and in April 2015 announced a B.C. Invasive Species Early Detection and Rapid Response Plan.

⁷ Damages from an infestation of Lake Okanagan has been estimated at \$42 million per year (Self, J., Larratt, H. 2013. Limiting the Spread of Aquatic Invasive Species into the Okanagan. Prepared for the Okanagan Basin Water Board and the Glenmore-Ellison Improvement District., available online http://www.obwb.ca/fileadmin/docs/2013_obwb_ais_report.pdf); damage to BC generally has been estimated more conservatively at \$21 million annually (Robinson, D. et al. 2014. Preliminary Damage Estimates for Selected Invasive Fauna in B.C. Prepared for Ecosystems Branch, B.C. Ministry of Environment.)

3. Strengthen its work with the states and provinces of the Pacific Northwest Economic Region (PNWER) to establish and defend non-contamination perimeter;
4. Ensure that British Columbia's waters remain free of invasive mussels by providing appropriate resources to implement a compulsory watercraft inspection regime; and
5. Build on the federal regulations, where each boat that crosses the international border needs to be inspected by CBSA. Shift the provincial three roving stations to the crossings at the Alberta border.

ACTION PLAN NEEDED TO UPDATE FLOODPLAIN MAPPING (2014)

Floodplain maps around the province are outdated, which means communities are unable to make reliable decisions about flood management, community growth and development.

Background

Flooding poses catastrophic risks to B.C.'s economic vitality, infrastructure, environment, safety, property owners and communities. While this is a complex issue, many stakeholders are concerned that, due to changes in flood risk over time, existing floodplain maps are outdated and provide an unreliable basis for decisions regarding flood management. There are also changes to flood vulnerability over time through development and growth in floodplains, leading to more extensive and severe consequences when a flood occurs.

A provincial mapping program began in 1974, and was accelerated by the 1987 Canada-B.C. Floodplain Mapping Agreement. This program ended when provincial legislative changes in 2003-2004 shifted more responsibilities for flood hazard management to local governments (e.g., Ministry of Environment used to approve subdivisions or floodplain bylaws; now rests with local government approving officers, or with the Ministry of Transportation in the case of regional district electoral areas). Unfortunately, many local governments lack the resources and expertise required for effective flood management.

Several floodplain maps have been created since 2003 at the initiative of local governments, but many more communities lack current maps. The B.C. Ministry of Environment website includes links to 87 existing floodplain maps in B.C. Of those, 69% are 20-25 years old, and the remaining maps are 14-19 years old—despite the recommendation of experts that floodplain maps should be updated every ten years.

A March 2013 stakeholder workshop, convened by the British Columbia Real Estate Association, resulted in the Floodplain Maps Action Plan, which identifies three main obstacles local governments face when updating floodplain maps: financial, political and technical. The Action Plan also proposes 21 specific actions by the private sector and all levels of government to overcome these obstacles.

Planning ahead to mitigate flood damage is less expensive than responding to emergencies. The southern Alberta flood that occurred in June 2013 resulted in insured property damage estimated at \$1.7 billion—the costliest natural disaster in Canadian history. The Alberta government estimates recovery cost at \$6 billion, including business support programs and compensation for homeowners moved from floodways.

The Alberta disaster can serve as a wakeup call for British Columbia. A major flood in British Columbia has the potential to not only destroy private homes but provide economic hardship to British Columbian

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businesses through damage to buildings, loss of equipment, the cost of start-up and loss of revenue due to down time. An investment in floodplain maps now, in a comprehensive and coordinated way, will help B.C. communities make rational and cost-effective decisions about flood management practices, infrastructure and development. Such an investment will also save British Columbians some of the significant losses and upheaval that result from flood events.

THE CHAMBER RECOMMENDS

That the Provincial Government works with stakeholders to:

1. Create a province-wide plan to complete floodplain mapping in BC that includes updating the mapping every 10 years;
2. Develop, and update every ten years, guidelines and specifications to reflect current floodplain mapping technologies and realities, improve consistency, build technical capacity to support utilization of a broader suite of technical tools (e.g., floodplain mapping, scenario analysis, risk assessment, etc.) and stress the need to integrate climate change into planning;
3. Clarify liability and access to emergency funds, with respect to local governments and residents, in designated floodplains; and
4. Create a task force to determine if there is a need for a provincial policy around limiting building on designated floodplains.

ENSURING AFFORDABLE PRODUCT STEWARDSHIP PROGRAMS (2014)

Introduction

Product stewardship is defined as an environmental management strategy used to manage products at end of life. This strategy is based on the principle that those whom design, produce, sell or use products are responsible for minimizing the products' environmental impact.

Currently, there are 13 stewardship programs in B.C. that have been appointed by the provincial government and are responsible for managing product stewardship programs. Product programs include batteries, beer containers, beverage containers, cell phones, electrical outdoor power equipment, electronics and electronic toys, lighting equipment, lead-acid batteries, medication, oil and antifreeze, paint and household hazardous waste, small appliances, thermostats, tires, and packaging and printed paper.

We are seeing more and more stewardship programs every year, due to the BC government's commitment to the CCME Canada Wise Action Plan. According to the Stewardship Agencies of British Columbia, we can expect a total of 20-25 stewardship agencies over the next four-to-seven years.

Business Issue

The creation of single approved product stewardship programs could have far reaching consequence by limiting the number of private sector businesses involved in delivering recycling services. Resulting in adverse effects to many service providers that currently run effective and efficient systems in communities around the province. Continued competition in this service delivery will maintain low costs

and preserve private sector jobs.

Creating a single approved program produces additional consequences of having the service provider also preform the role of regulator.

Federal legislation- the move to EPR

Currently in Canada both extended producer responsibility (EPR) and product stewardship programs are used in managing products at “end of life.” The integral difference in the programs is the responsibility for the product end-of-life services. For EPRs, the responsibility lies with producers. In contrast, product stewardship programs assign the responsibility to provincial or municipal governments. The main difference of the two approaches is the funding sources. While EPRs are funding through producers, product stewardship programs are funded primary through environmental fees and/or public funds.

The Canadian Council of Ministers of the Environment (CCME) supports moving product stewardship programs into full EPR programs. There are a wide variety of programs under the umbrella of EPRs. This policy is focused on the product stewardship programs in B.C.

Example- Creation of Multi-Material BC (MMBC)

In B.C., the Environmental Management Act (2004) included provisions requiring product stewardship plans for identified products. In 2011, the Recycling Regulations were amended to include Packaging and Printed Paper. This regulation requires producers (as defined in the regulation) to operate or be a member of an approved product stewardship plan in order to manage product end of life.

MMBC Program and Objectives

Currently, one product stewardship program for packaging and printed paper has been approved in B.C. Multi-Material British Columbia (MMBC) is a non-profit organization “formed to develop and implement a residential stewardship plan for packaging and printed paper” (MMBC, 2013).

The *Packaging and Printed Paper Stewardship Plan* developed by MMBC in 2012, and updated in 2013 states that the program was designed for “continuous improvement in recovery effectiveness and efficiency without undermining existing PPP recovery efforts in B.C.” (MMBC, PPP Stewardship plan, 2013, p. 4).

In addition, MMBC outlined the following objectives for *Packing and Printed Paper Program Delivery Principles*:

To achieve the objective of maximizing outcomes while minimizing dislocations, MMBC has developed the following market engagement principles to guide the development of the PPP Stewardship Plan:

- **Focus on outcomes, not process** – maximize recovery, maximize efficiency, enhance resident service levels while minimizing complexity;
- **Provide economic incentives and set simple rules** – effective economic incentives will drive behaviour that increases recovery activity throughout the PPP reverse supply chain; simple rules will provide clarity and certainty to those collecting and recycling PPP;
- **Foster interaction, collaboration and competition to drive innovation** – innovation is the result of complex interactions of ideas and efforts among producers and private, 14 Not-for-profit depots may or may not have a funding relationship with their local government.
- **Packaging and Printed Paper Stewardship Plan** public and not-for-profit entities with parties bringing together complimentary skills to collaborate and deliver more value; and

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- **Set the stage for evolution** – harness existing activities and build on success through continuous improvement and use of economic incentives to increase collection of PPP and improve system efficiency.

Policy Issues and Considerations

The 3,000 producers targeted in this program must provide a stewardship program for Packaging and Printed Paper and Multi-Materials BC delivers the only approved program in B.C. The regulations have recently been amended to exempt the majority of B.C. small businesses from this regulation.

The recent changes to the program have created tremendous uncertainty about how the approved stewardship program delivery will affect the exempted business and local service providers.

The creation of a new recycling scheme designed to benefit the environment and support the sustainable economy of B.C. is laudable. The recent regulatory changes and the temporary monopoly created by the approval of only one provincial stewardship program have considerable potential for negative unintended consequences.

MMBC Advisory Committee

MMBC has formed a B.C. Advisory committee, and the Chamber applauds them for this good business practice. Although this advisory committee may be formed with the intent to provide stakeholder recommendations, the Chamber does not consider this advisory committee as a reasonable alternative to an oversight committee.

In government created monopolies oversight is a best practice. Examples of oversight organizations include the BC Ferries Commission and the BC Utilities Commission. As this organization is not subject to either of these organizations a new oversight committee is required.

BCUC

The British Columbia Utilities Commission (BCUC) is one regulatory agency example. BCUC is regulatory body overseeing utilities in BC and is a quasi-judicial board that has the power to make legally binding rulings.

Its mission is: “to ensure that ratepayers receive safe, reliable, non-discriminatory services at fair rates from the utilities it regulates, and that shareholders of those utilities are afforded a reasonable opportunity to earn a fair return on their invested capital.” In addition, BCUC ensures that the competitive interests of BC business are not frustrated by the utilities it regulates.

Conclusion

The Chamber accepts the direction of both provincial and federal government in ensuring extended producer responsibility. In order to ensure affordability of recycling programs, and competitiveness for business the Chamber believes oversight is required for these all single-body product stewardship program in B.C.

THE CHAMBER RECOMMENDS

The Provincial Government implements regulatory oversight for these programs through BCUC or other suitable regulatory framework.

MOVING FORWARD ON THE SOLID BUSINESS CASE FOR A NATIONAL PARK IN SOUTH OKANAGAN- SIMILKAMEEN (2014)

Opening Statement

National parks represent important economic drivers, and this is particularly true for British Columbia. British Columbia has the opportunity to be the beneficiary of Canada's next national park, which has been proposed for South Okanagan- Lower Similkameen (the "Proposed National Park"). This Proposed National Park maintains the continued support of the Government of Canada but to proceed requires support of the Government of British Columbia. As support for this National Park among stakeholders continues to grow, the provincial government should work with the federal government to ensure that the Proposed National Park serves the economic interests of British Columbians.

Background

Canada's national, provincial, and territorial parks represent a vital conservation of our natural heritage, are a special contributor to our sense of identity and place, and serve crucial ecological purposes. These parks, however, also play an important role in British Columbia's economy. Indeed, national parks have been shown to be substantial and recurring sources of economic stimulus, particularly through tourism.

Beginning in 2003, a joint federal-provincial steering committee began an in-depth assessment of the feasibility of establishing a national park reserve in the South Okanagan-Lower Similkameen. The steering committee's report (*Proposed National Park Reserve for the South Okanagan- Lower Similkameen Feasibility Assessment – Overview of Finding and Outcomes*; available at http://cpawsbc.org/upload/South_Okanagan-Similkameen_National_Park_Feasibility_Study.pdf), which was submitted for ministerial approval in January 2011, confirmed that the Proposed National Park is feasible and recommended approval of a proposed park reserve boundary at a conceptual level.

The Proposed National Park would consist of 280 square kilometres that contain Canada's only pocket desert, are home to fifty-six federally-listed species-at-risk (11% of the listed species in Canada), serve as a major migration stop for birds, and include shrub-grasslands and ponderosa grasslands found in no other Canadian national park. Furthermore, the proposed park boundaries provide the potential for permanent continuation of U.S. wild lands south of the border for a protected area of international significance.

The benefits of the Proposed National Park for British Columbia include:

- increased employment;
- stimulus for land development, business starts and expansions;
- a boost in domestic and international tourism;
- opportunities for First Nations economic participation; and
- economic diversification.

Published research on the Parks Canada website (*Economic Impact of Canada's National Provincial and Territorial Parks in 2009* by The Outspan Group, April 2011; available at <http://www.parks-parcs.ca/english/cpc/economic.php>) indicates the potential economic impact of the Proposed National Park. In particular, if the Proposed National Park met the average economic performance of British Columbia's seven existing national parks, it would support 571 full-time equivalent jobs and would generate annually:

- \$37.1 million in Gross Domestic Product;
- \$25.62 million in annual labour income; and
- \$49 million in visitor spending.

Importantly, there are essentially no costs to the provincial government moving forward with the Proposed National Park, since the Government of Canada alone bears the cost of establishing and maintaining national parks.

As with all changes in land use, the Proposed National Park could conceivably have adverse impacts on established economic uses of land. However, it is believed that any such impacts can be suitably mitigated with intelligent planning, and will ultimately be outweighed by the tremendous benefits this park will bring.

Since the steering committee's report was submitted, the federal government has waited for the provincial government to follow the recommendation of the steering committee and take the next step toward bringing the economic benefits of the Proposed National Park to British Columbians.

THE CHAMBER RECOMMENDS

That the Provincial Government signs an Agreement to Negotiate with the Government of Canada that will conclude a fair and equitable feasibility process to determine the economic impact of a national park in the South Okanagan-Lower Similkameen.

RECONCILING B.C.'S NATURAL GAS ECONOMIC DEVELOPMENT POLICY WITH ITS GREENHOUSE GAS EMISSIONS REDUCTION POLICY (2014)

Climate Change

It is generally accepted among the scientific community that global surface air temperatures should be kept below 2°C above pre-industrial levels, to avoid what has been dubbed “dangerous climate change”. Crossing this threshold is predicted to result in a number of detrimental effects including (but not limited to) rising sea levels, more intense and frequent droughts, high risk of extinction for 20-30% of species, and decreased cereal crop yields in lower latitudes. The net effect is a loss in world GDP, with greater losses for higher temperature increases.¹ Temperature records indicate a rise in surface air temperature greater than can be accounted for by known natural factors, strongly implying that the cause lies with the anthropogenic greenhouse effect. This effect results from certain gaseous compounds (primarily carbon dioxide, methane, nitrous oxide, and several synthetic halocarbons) trapping heat in the atmosphere. Carbon dioxide is the most prevalent of these gases, as it is almost invariably produced by the combustion of coal, oil, and natural gas.

Despite a pressing need for the global community to lower emissions of these greenhouse gases (GHGs), few jurisdictions are willing to sacrifice economic growth in order to cut back on the use of cheap fossil fuels. Among these are economic powerhouses like China and India. Non-OECD countries account for a 60% of global emissions in 2012 and are projected to account for 70% by 2040, accounting for 85% of the growth in GHG emissions.² The British Columbian government aims to be a world leader in climate change policy with a broad Climate Action Plan that includes such targets as a 33% reduction in GHGs by 2020 and an 80% reduction by 2050, a carbon tax currently set at \$30 a tonne, and the requirement that 93% of electricity generation be from clean and renewable sources.³ These standards are some of the

1 Consolidated Management Consultants. (2014). *Energy and Environment Realities Need New Directions*. Vancouver.

2 US Energy Information Administration (2013) International Energy Outlook, Energy Related CO₂ Emissions Section, July 25, 2013

3 Lekstrom, B. (2010). *Bill 17 - 2010: Clean Energy Act*. Victoria: Queen's Printer.

highest in the world, despite B.C. only accounting for under 0.2% of total annual emissions.⁴ This emission policy is supported by the Clean Energy Act, along with the Greenhouse Gas Reduction Targets Act and other related legislation.

Current Policy

The current policy is likely not sustainable for a number of reasons, the most directly notable one being the government's plan to develop the provincial natural gas industry and approve the construction of liquefied natural gas (LNG) plants. This is a strong move for the economy, as it takes advantage of B.C.'s resources to fill a growing demand for LNG in Asian markets.⁵ That being said, these markets are very competitive and other jurisdictions would be glad to export their own resources to these markets. Among these are Australia, the United States, Qatar, and African exporters – none of which have as strict emissions regulations as British Columbia.

This presents a problem with competitiveness, as the total amount of energy required by the less than half of the currently proposed LNG plants is about equal to the entire provincial electrical energy system's current output.⁶ This cannot all be supplied through greenfield clean energy without incurring similarly significant increases in cost through purchases from independent producers or infrastructure expansion. Furthermore, the Province has determined that the large scale LNG plants may proceed with the technology of their choice, which is certain to be natural gas drive compression. Energy choices other than natural gas could compromise the establishment of a robust LNG industry in the first place. In order to accommodate this, the provincial government has declared that natural gas used in LNG plants is to be considered "clean".⁷

While this allows the LNG plants to operate profitably, it overlooks a serious issue. Despite redefining the parameters of "clean" energy, natural gas combustion still releases GHGs into the atmosphere. Should natural gas be used to power about five large LNG plants, the province's emissions will increase by approximately 50%. This will render the GHG reduction targets nearly impossible to reach in any scenario that does not involve unrealistic cutbacks in other fossil fuel uses. These plants will also be subject to the carbon tax and an offset charge should they exceed a so-far undecided threshold of emissions per tonne of LNG, which will be intended to be a world leading standard for low intensity emissions for this industry.

There are clear differences between the province's economic direction and its environmental policies which must be settled. While the idea of taking a leadership role in dealing with climate change is commendable, other important jurisdictions do not appear to be following British Columbia's example. Most of our partners in the Western Climate Initiative (WCI) have dropped out of the plan⁸, with only B.C., Quebec, and California remaining. None of these have environmental standards as nearly as stringent as those set out in the Clean Energy Act, and all emit significantly more GHGs. Not only are British Columbia's GHG targets nearly impossible to reach while sustaining economic growth, they have little effect on a global scale in curbing climate change. The largest emitters (China, India, and the United

4 Calculated: 61,993 kt (BC emissions: Ministry of Environment. (2012). *British Columbia Greenhouse Gas Inventory Report 2010.*) is 0.18% of 34,500,000 kt (World emissions²)

5 Ministry of Energy and Mines. (2012). Vision: Three LNG plants in operation by 2020. In *Liquefied Natural Gas* (pp. 5-8).

6 Craig, D. (2014). Meeting the Economic-Environmental Challenge: Affording It All. *Pacific Energy Innovation Association Forum 2014*. Vancouver.

7 Bailey, I., & Stueck, W. (2012, June 21). *B.C. Liberals declare natural gas a clean energy source*. Retrieved from The Globe and Mail: <http://www.theglobeandmail.com/news/british-columbia/bc-liberals-declare-natural-gas-a-clean-energy-source/article4362331/>

8 WCI, Inc. (2014). *Board of Directors*. Retrieved from Western Climate Initiative, Inc.: <http://www.wci-inc.org/board-directors.php>

States) are not intent on following B.C.'s example, and even completely eliminating the province's emissions would have a miniscule effect on atmospheric GHG concentrations. It is believed that even if emissions stabilized in 2000 there would still be significant warming and sea level rise.⁹

Even if development of the LNG and natural gas industries in the province was to stop, it would make no difference in global emissions as the demand for LNG would remain the same and be met from another jurisdiction regardless. These emissions would have the same net negative effect on warming in B.C. and the world, as the greenhouse gas effect is global rather than localized. If anything, having the plants in B.C. is preferable because B.C.'s cooler ambient temperatures and shorter travel time between B.C. and Asia (compared to other potential suppliers) would both result in less fuel being consumed during the LNG production process and lower GHG emissions. Given the large scale disconnection between B.C.'s current LNG and NG economic policy and the GHG emissions policy, there is a clear need for policy reconciliation.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Bring B.C.'s emission reduction targets to reconcile B.C.'s economic policy and GHG policy; and
2. Revise the Greenhouse Gas Reduction Targets Act and related legislation to focus on optimizing the cost effectiveness of greenhouse gas reductions and on setting targets based on realistic GHG intensity measures, while planning to adopt innovative technology as it becomes feasible.

REJECTING METRO'S BYLAW 280 TO ALLOW THE PRIVATE SECTOR TO INCREASE REGIONS WASTE DIVERSION GOALS (2014)

There is a large and growing disconnect between the goal of reducing waste, increasing diversion and the cost business and taxpayers are being asked to bear. Governments at all levels have instituted programs and initiatives aimed at reducing waste and transferring the cost onto those deemed as the generators of the waste. This is resulting in an increasing cost burden being placed onto business with often limited, or no, benefits in terms of improved outcomes. In many cases, particularly Metro Vancouver, waste reduction goals are being undermined by moves to impose increased regulatory burdens and shift materials to publicly controlled facilities at the expense of private sector facilities.

While there are a number of initiatives that are concerning the most immediate and the one with the largest potential cost implication for businesses and residents is the proposed Bylaw 280 or 'flow control' by Metro Vancouver which requires approval from the Minister of Environment. Bylaw 280 would result in a continuously increasing tax grab and responsibility creep into private sector as well as fund in part the proposed incinerator.

The Chamber has been a consistent supporter of Metro Vancouver's goals to reduce the amount of waste requiring disposal. Indeed, under the auspices of the Lower Mainland Economic Sustainability Panel, Chambers across the region participated in the consultation process leading up to the Integrated Solid

⁹ Archer, D., Eby, M., Brovkin, V., Ridgwell, A., Cao, L., Mikolajewicz, U., Tokos, K. (2009). Atmospheric lifetime of fossil-fuel carbon dioxide. *Annual Review of Earth and Planetary Sciences*, 117-134.

Waste and Resource Management Plan (ISWRMP).

The ISWRMP identified 4 goals, which are:

1. Minimize waste generation;
2. Maximize reuse, recycling and material recovery;
3. Recover energy from the waste stream after material recovery; and
4. Dispose of all waste in landfill after material recycling and energy recovery

As part of the process to establish these goals, Chambers of Commerce supports goals 1, 2 and 4 of the plan, but expressed significant concern over goal 3 (waste-to-energy incineration). The business sector assumes over half of the system cost for solid waste management in the region, so business is directly affected by any cost increases associated with reaching goal 3.

It is within this context that the Chamber is expressing significant concern over proposed Bylaw 280. In particular, our opposition to the bylaw focuses on three main points:

1. Unnecessary Regulatory Burden

The Chamber feels this proposed bylaw would create a dysfunctional system where unavoidable inefficiencies and cost over-runs will be met with more regulation—an unpredictable spiral that creates more uncertainty for business. For example, on the issue of “flow control”, we firmly believe no amount of regulation can replace the positive influence of economic instruments, such as cost effectiveness and fair competition, to keep material flows in-region. An unnecessary regulatory increase in tipping fees, projected to rise to \$157 per tonne by 2017 from the current \$108 per tonne based on Metro Vancouver’s 2013 financial projections in order to finance upfront costs for an expensive incinerator, will only exacerbate waste being transferred out of the region. Keep in mind, the projected increase to \$157 per tonne is optimistic, at best, considering this number is based on the assumption that Metro Vancouver will secure infrastructure funding from both the federal and provincial governments, as well as, attaining its preferred purchase price from BC Hydro for the energy produced by the incinerator—which could spread the commitment to subsidize the incinerator across all BC Hydro ratepayers in the Province. BC Hydro has indicated that they will not provide clean energy pricing for this source.

It’s equally concerning that Metro Vancouver’s proposed increase in tipping fees, as referenced in their 2011 financial projection, would have seen fees rise to \$205 per tonne by 2016. This projected amount was based on the incinerator being built by then. While Metro Vancouver has abandoned its projected \$205 per tonne right now, nothing says the Regional District can’t bring this target back after the incinerator is built. With a regulatory monopoly, such as flow control, the fact is Metro Vancouver will be able to set whatever fee they like with little to no recourse for business.

The Bylaw also demonstrates responsibility creep, and is a protectionist and isolationist approach to governance. It sends a mixed signal to B.C.’s trading partners that says we are not really open for business, and that we can and will change the rules of the game. Furthermore, the business community has expressed concern that Bylaw 280 could represent a violation of current international trading agreements.

2. Unnecessary Intrusion by Metro Vancouver in the Free Market (responsibility creep)

Metro Vancouver appears to ignore that fact that continued innovation and progress toward waste

reduction targets will create open market opportunities and consumer choices that are environmentally-sound, good for communities and financially sustainable. Proposed Bylaw 280 would thwart free-enterprise, private sector involvement, and impose an unnecessary increase in system costs to fund a Metro Vancouver incineration project. This project does not have a strong business case and will impose significant costs on the region when other options are available.

Additionally, the business community do not support any form of a BC Hydro subsidy for this public project given that this would simply be a tax-shift to another utility bill for our members, and given it creates an unfair advantage over private sector alternatives aimed at recycling. Also, BC Hydro has surplus energy planned for long period of time and would therefore risk incurring deeper losses if it acquired additional generating capacity.

3. Unnecessary prioritization of incineration ahead of other waste diversion and infrastructure needs

The private waste and recycling sector has publicly stated their intention to build diversion facilities such as mixed waste recovery facilities to process the residual waste at no cost to taxpayers. But Bylaw 280 is designed to prevent the development of mixed waste recovery facilities, despite the fact that mixed waste is one of the fastest growing segments of Metro Vancouver's waste stream.

This desire to build a costly incinerator is particularly concerning as we look to a range of other regional infrastructure costs facing the region in the coming years. Whether it is transportation or wastewater treatment systems, Metro Vancouver faces a range of infrastructure needs that will be borne by the taxpayer. From a business perspective, the financial implications of a second waste incinerator, which is neither mandated nor necessary, are difficult to justify and will only put additional burdens on business, in particular small business.

Provincial Impact

While the direct impact of Metro's plan would be the regions businesses and taxpayers who would bear the cost of this unnecessary and costly project there are implications for other regions of the province.

Metro Vancouver's plan includes a reliance on senior levels of government to provide funds for the construction of the incinerator. The cost of building an incinerator would be over \$500 million, in a time of limited fiscal capacity senior government has a limited ability to fund every project deemed important. As such Metro's proposal would be in direct competition with other projects in the region and indeed across the country. Should Metro Vancouver be successful in obtaining senior government funding, by definition this will reduce senior governments' ability to fund other infrastructure projects.

In terms of more direct impacts the Chamber is concerned that the establishment of flow control in Metro Vancouver would establish a precedence for government monopolies and increased costs being imposed on business. Indeed, this concern is heightened by the fact that 6 other regional governments have expressed support for bylaw 280. It seems unlikely these regional districts are concerned with the reality of the waste market in Metro Vancouver but are looking at the possibility of passing similar bylaws in their region. This would result in the erosion of competitive markets in regions across the province and the establishment of government monopolies.

The Chamber cannot endorse Metro Vancouver's proposed financial strain on businesses, particularly when better options are within our reach. These better options would address waste management challenges in the region, provide private sector jobs and increase recycling with zero need to increase the

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current tipping fee. These green options could also create new opportunities for B.C.'s remanufacturing sector. Our private sector can deliver: more jobs, more recycling and lower fees.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Hold Metro Vancouver to the priorities approved in the regional ISWRMP;
2. Through the Minister of the Environment, reject Metro Vancouver's Bylaw 280;
3. Keep the authority focus of regional districts to the management of waste disposal to allow the private sector to optimize the upstream activities with the goals of;
 - a. Keeping waste reduction options economically viable through private sector competition and innovation, and
 - b. Stimulating a growing B.C. green sector and new jobs independent of tax subsidies.
4. Work with all regional districts to develop policy environments that stimulate the engagement of the private sector and its solutions to address waste reduction strategies; and
5. Establish a results based approach to ensuring disposal based bans and diversion targets are adhered to at disposal facilities.

CHANGING B.C.'S SALES TAX MODEL - MOVING BEYOND THE PST (2016)

B.C.'s tax competitiveness continues to be seriously undermined by the rejection of the value-added Harmonized Sales Tax (HST). This was only compounded by the fact that the HST has been replaced with essentially an unchanged Provincial Sales Tax (PST). As a small, open trading jurisdiction this cannot be left unaddressed forever if B.C. wishes to remain competitive as a jurisdiction.

Background

The move to an HST was greeted with wide support from the business community and virtually unanimous support from academics. This support was based on a recognition that the HST would result in increased competitiveness; increased productivity; harmonization with most of the Canadian and global economy; stable government revenue and a reduction in paperwork for business.

Of these many positive aspects of the HST, the two that are most important to our ongoing economic prosperity are competitiveness and productivity.

The Competitiveness Challenge

Since 2001, the provincial government has undertaken a sustained program of tax reductions for both individuals and business.

Table 1 - Interprovincial Comparisons of Business Tax Rates

	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
General Rate	11 ^a	12	12	12	11.5	11.9	14	16	16	15
Manufacturing	11	12	10	12	10	11.9	12	16	16	5
Small Business	2.5	2	2	Nil	4.5	8	4	3	4.5	3
Small Business Threshold (000s)	500	500	500	450	500	500	500	350	500	500
Corp. Capital Tax										
- Banks	Nil	Nil	3.25	6	Nil	Nil	5	4	5	5
- Small Financial			0.7	Nil			Nil	Nil	Nil	Nil
Sales tax ^b	7	Nil	5	8	8	9.975	10	10	10	10

a B.C.'s Corporate tax was 10% prior to the 2013 Provincial Election.

b On April 1, 2013 BC joined Saskatchewan and Manitoba as the only provinces who levy sales tax on business that is not offset by tax credits

As shown in Table 1, B.C. is highly competitive today in a Canadian context across a range of key business tax rates. It must be noted, however, that these rates are focused on established businesses generating revenue or making sales (with the exception of sales tax which in B.C., Manitoba and Saskatchewan is paid on business inputs). B.C.'s economic future will depend upon our ability to attract investment and new economic activity. If investment and new economic activity are the goal, B.C.'s tax picture looks very different. To review B.C.'s tax picture, as it relates to new investment, it is necessary to review B.C.'s Marginal Effective Tax Rate (METR).¹

¹ METR is a measure used to compare the total tax burden on new investment by industry, type of investment, and size of firm. To do this METR includes the effect of corporate tax rates, sales tax on business inputs, investment tax credits and other incentives, capital cost allowances, capital taxes and the ability to deduct interest costs.

	2012	2014
B.C.	17.8	27.5
Canada	17.4	19.0
Alberta	17.0	17.0
Ontario	18.2	18.2
Quebec	15.2	15.9
Saskatchewan	24.3	24.3
Manitoba	26.2	27.9
Nfld	10.7	10.7
Nova Scotia	13.4	13.4
New Brunswick	2.8	4.8
PEI	28.1	11.4

As we can see from table 2, in 2012 under the HST, B.C. was placed as the 6th most competitive jurisdiction in Canada and well placed against our western neighbours and in relation to Ontario and Canada – in short against our competing jurisdictions. By contrast in 2014, we see B.C. move to be the bottom of the Canadian ranking. This difference is due to the fact that British Columbia, like Saskatchewan and Manitoba, “continue to levy the retail sales tax, which results in a significant tax on capital investments (other provinces have harmonized their sales tax with the federal GST, and Alberta has no sales tax, so capital taxation is less severe).”³

It must be noted, the METR calculations do not capture the full impact of the PST on B.C. competitiveness. They take into account only the PST on capital investment. The PST also applies to non-capital inputs that are used in business operations. In fact, the PST paid on non-capital inputs is four to five times the amount levied on capital inputs.

The other aspect of competitiveness is in regards to B.C.’s critical export industries. As a jurisdiction, B.C. has a smaller export base than most other provinces, as such it is critical that attention is paid to any tax changes that will negatively impact B.C. exporters ability to compete in other markets. The PST is a significant impediment in this regard.

As a small, open trading jurisdiction B.C. exporters compete with producers from across the globe, the majority of who do not have a sales tax structure that embeds costs at every stage of production as does the PST. Indeed, if we look at jurisdictions that levy a PST system, we see that B.C. stands relatively alone as one of only 3 jurisdictions in Canada, and the exception to the more than 130 countries worldwide, that do not have a value-added sales tax in place. As such, these producers have a significant competitive advantage over B.C. producers who struggle to remain competitive when building these costs into their price (HST also made B.C. producers more competitive against foreign competition when selling in domestic market for the same reason).

This is also an issue for B.C.’s resource industries, the foundation of economy prosperity for communities across the province. Commodity based exporters are price-takers in the global context. PST represents a

2 2014 Annual Global Tax Competitiveness Ranking, Duanjie Chen and Jack Mintz, pages 12 & 13.

<http://www.policyschool.ucalgary.ca/sites/default/files/research/tax-competitiveness-chen-mintz.pdf>

3 *ibid*, page 11

significant cost for the extraction and production of resources and reduces profits and therefore the ability of these companies to invest in innovation and job creation.

The Productivity Imperative

The single biggest determinant of our per capita income and our ability to raise wages and living standards is our productivity – in short how efficient we are as an economy. Countries that are innovative and able to adapt to shifts in the global economy will see high productivity and thus a superior standard of living.

In this regard, Canada and B.C. have not fared well against competing jurisdictions. Between 1997 and 2011 the output of B.C.'s business sector was on average only 92% of Canada's.⁴ From 1981 to 2007 non-residential business investment in B.C. was 74.4% of the Canadian average. In the same period the capital employed per worker fell from 113.5% to 88.9% of the Canadian average. It is not surprising that during the same period the B.C. share of Canadian GDP fell from 13.1% to 12.4%.⁵

While there are a variety of factors that contribute to enhancing productivity, it is recognized that improvements will require investment in equipment and technology, particularly investments in information and computer technology.

While B.C.'s productivity performance is reason enough for government to find ways to boost investment in technology and equipment, the Chamber believes the coming demographic shift must make this the highest of priorities for government.

We already know that the baby boomer generation is on the verge of retiring. While older workers are more encouraged to remain in the workforce, we can anticipate that between 2014-2024 we will see 640,000 workers leave the workforce through retirement. During that same time, B.C. can expect to create 295,000 new job openings through economic growth while there will only be 421,000 new entrants to the workforce to fill these positions.⁶ That represents a shortfall of over 514,000 positions that will need workers to fill them.

To ensure this challenge does not profoundly damage the B.C. economy, we must ensure that we improve significantly on our productivity levels.

The Importance to Small Business

While many of the arguments in favour of the HST focus on its broad provincial impact, it is worth noting that this is an issue of particular importance for small business given B.C.'s reliance on small and medium sized businesses for our economic prosperity.

Further to this, B.C.'s small business sector is critical to wealth generation and our capacity to grow and innovate. Responsible for employing over one million British Columbians, small business is responsible for 54% of all private sector employment in the province.⁷

While the concentration of small businesses largely reflects the economy at large with a significant focus on service sector industries, small businesses are significant economic generators. Small businesses were

4 Stats Canada table 383-0011

5 Investment in BC: Current Realities and the Way Forwards, Centre for the Study of Living Standards

6 https://www.workbc.ca/getmedia/9e0cadba-16d9-49d5-971b-7e9afd2561d7/BC-LM-Outlook-2014-2024_C.pdf.aspx pg. 8

7 2015 Small Business Profile, BC Stats pg. 3

responsible for shipping approximately \$11 billion worth of merchandise to international destinations in 2013, comprising over 33 per cent of the total value of goods exported from the province.

In addition, small businesses drive B.C.'s innovation industries with 8,462 small businesses in British Columbia's high tech sector in 2011, which represents about 97 per cent of all high technology businesses⁸.

This placed small business as one of the key beneficiaries of the HST and sees them significantly impacted by the return to the PST. In fact, one of the largest productivity challenges facing B.C. is the difficulty small businesses face in accessing capital to invest in innovation or productivity enhancements. As such, the return to the PST has a disproportionate impact on these small businesses compared to larger firms in terms of addressing productivity.

The Solution

The competitive and productivity issues that we have outlined above were an issue before the introduction of the HST. Indeed, the HST was supported by so many business organizations specifically because of its ability to address many of these issues.

Despite the obvious benefits of a HST, the Chamber recognizes that the public has spoken through the referendum 2011: there is no appetite either publicly or politically for a harmonized sales tax.

However, reform is needed. As we have demonstrated, the return to the PST has a significant impact on B.C.'s competitiveness and productivity. The Chamber realizes that following the HST and the referendum there was little appetite of significant reform to our sales tax system and little appetite for a redistribution of the current tax which reduces the fiscal flexibility open to government.

The Chamber believes that the most damaging aspect of the return to the PST and the aspect that, therefore, requires the most immediate attention is that the PST is levied on investment in machinery and equipment. This is not to suggest that the PST equals an increase in cost on all machinery and equipment. The PST already exempts certain machinery and processing equipment used in manufacturing and agriculture. Reform needs to widen the scope of sectors that can access these savings to reduce complexity, but also to reduce B.C.'s METR. Indeed, the Expert Panel on Tax estimates that offering an Input Tax Credit on the acquisition of machinery and equipment would cut B.C.'s METR to 19%, significantly improving B.C. position in the Canadian context.⁹

The Chamber recognizes that this is not a measure that can be introduced immediately. The Expert Panel on Tax estimates that this measure alone would result in a reduction in revenue to government in the order of \$489 million in 2014/15 rising to \$511 million in 2015/16 and to \$534 million in 2016/17.¹⁰

Over the long term, though, government must engage in a meaningful consultation with British Columbians on our competitiveness and productivity and the role taxation plays. A key component of this dialogue must be the role taxation plays in enhancing our competitiveness and productivity.

⁸ *ibid*

⁹ Expert Panel on Tax Report, Table 7

¹⁰ The Panel does estimate that this would be offset by higher economic growth that would increase revenue by \$12, \$50 and \$115 million in the period 2014-2017

While the return to the PST represented the largest tax increase on business in B.C.'s history, representing an increase in cost of \$1.5 billion, B.C. businesses are facing rising costs on a number of additional fronts. Business is also facing higher Employment Insurance and WorkSafe BC premiums, a carbon tax that is the highest in North America, substantial increases in the minimum wage, and uncompetitive municipal property taxes. This direct hit on companies' revenue is amplified by the ongoing permitting issues that continue to impede investment in our critical resource sector and the ongoing regulatory impediments facing business at every level.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Provide a fully refundable investment tax credit claimed on businesses' income tax returns equal to the PST paid on all acquisitions of machinery and equipment (including computers and software) but excluding buildings and structures with a capital cost allowance rate of 5 per cent or less;
2. Continue to work with the chamber of commerce and others to find ways to reduce the administrative burden of the PST; and
3. Commit to a dialogue with British Columbians on the development of a made-in-B.C. Value Added Sales Tax system to enhance B.C.'s competitiveness and productivity.

ENHANCING AGRICULTURE COMPETITIVENESS THROUGH EQUITABLE TAXATION (2016)

In B.C., the primary agriculture sector's nearly 20,000 farms generated \$2.9 billion in farm sales in 2014, well over \$100 million above the previous year¹ and is anticipated to increase to \$3.5 billion by 2018.² B.C. exported more than \$2.0 billion worth of agricultural products to more than 144 markets in 2014,³ an increase in value of 11% over 2013. The potential in the agriculture industry within B.C. is well recognized by industry and government alike, yet we need to take measures to continue to enhance the competitiveness of this industry, in both the domestic and international markets.

Despite high quality products, productive land, and growing local and domestic markets for agricultural products, B.C. is facing heavy competition from external markets. In particular, Alberta and the northwest United States supply a large percentage of the agricultural products sold in B.C. One of the major contributing factors to B.C.'s reduced competitiveness is the tax burden faced by the sector.

Prior to 2010, when the HST was introduced, farmers and ranchers received relatively few tax exemptions compared to competing markets. Under the HST system, agriculture saw returns of \$15-20 million through GST/HST tax returns on exempt goods and services.⁴ These returns and exemptions enabled the agricultural industry to produce goods at lower costs, helping them to become more competitive in local and global markets.

1 Source: BC Ministry of Agriculture, *BC Agrifood Industry Year in Review 2014*.

2 Source: BC Ministry of Agriculture, 2016/2017 - 2018/2019 Service Plan

3 Source: BC Ministry of Agriculture, Sector Snapshot: *BC Agriculture - 2014*

4 Source: Canada Revenue Agency: Farming Income including Form T2042 2012; <http://www.cra-arc.gc.ca/E/pub/tg/t4003/t4003-12e.pdf>

With the return to the PST system, B.C.'s agriculture industry longer receives exemptions or investment tax credits on the majority of goods and services used in farming and ranching. This puts B.C.'s agriculture industry at a distinct disadvantage against both Alberta and Washington State, where a large number of the goods purchased for farm use are tax exempt.⁵⁶

Requiring the payment of PST on agricultural services means higher input costs without a balance of investment tax credits. These higher production costs, in turn, lower profit margins for producers and subsequently increase the sales prices of agricultural products, either of which would increase the financial burden on both producers and consumers and decrease B.C. farmers' competitiveness.

Providing PST exemptions to farmers and ranchers would secure B.C.'s standing as a competitive agricultural producer. The decreased production costs achieved through this tax exemption would enable B.C. farmers to increase production and sell their goods at more affordable prices while still maintaining a good profit margin. This affordability will serve to strengthen both domestic and foreign market competitiveness, encourage local food purchasing, and provide a secure food supply, all of which will contribute to the growth and development of a strong, secure agriculture industry in B.C.

The 2016 Provincial Budget identified a limited number of new PST exemptions for qualified farmers, but this falls short of those needed to truly enhance the competitiveness of the sector. The government also announced the creation of a Tax Competitiveness Commission to examine the province's tax regime.⁷ It is imperative that the current impact of PST on agriculture competitiveness is a priority in any consideration of proposed changes. This should provide an opportunity to examine a more comprehensive value-added approach to achieve better income tax equitability.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Provide PST exemptions on all agricultural goods and services that are zero-rated under the GST system;
2. Ensure that the mandate of the Tax Competitiveness Commission give full consideration to the needs of the agricultural sector; and
3. Continue its discussions with the British Columbia Agriculture Council and industry stakeholders to enhance the sectors competitiveness both domestically and internationally.

LEVELING THE PLAYING FIELD BETWEEN B.C. AND OUT-OF-PROVINCE CONTRACTORS WHEN BIDDING ON B.C.-BASED PROJECTS – EDUCATION AND ENFORCEMENT (2016)

Chambers welcome reputable businesses, regardless of where their office base is located. We believe competition is good for both businesses and customers, spark creativity, and increase levels of service.

5 Source: BC Agriculture Council; Garnet Etsell, Chair

6 Source: Department of Revenue Washington State, Agriculture Tax Guide: Sales and Use Tax Exemptions; <http://dor.wa.gov/content/DoingBusiness/BusinessTypes/Industry/Agriculture/default.aspx>

7 Source: BC Provincial Budget 2016

Education, and sometimes enforcement, is needed to ensure out of province companies are aware and follow B.C.'s labour laws, Highway & Transportation regulations, WorkSafeBC requirements, and tax laws - by creating educational opportunities, increased auditing, and enforcement of legislation.

When out of province's companies have more favourable labour laws, taxes, & premiums in their home province, it's hard for B.C. companies to have a successful bid against theirs when comparing quotes based on dollars.

We recommend that the B.C. government consider mirroring portions of Saskatchewan's Provincial Sales Tax Act in relation to non-resident contractors. We are informed by those representing industry that there is a concern that non-resident businesses are not properly self-assessing taxes under B.C.'s 1/3 tax formula ($PST\ due = 1/3 \times [(PST\ rate \times depreciated\ purchase\ price) - B.C.\ tax\ previously\ paid]$) or paying equivalent B.C. premiums. PST in B.C. is due under the 1/3 formula or the 1/36 formula each time the equipment is brought into the province until the full tax has been paid. If goods are temporarily brought into B.C. for less than 6 days, no PST is due.

However, if the goods are brought in for permanent use, then the person must pay PST on the greater of 50% of the purchase price and the depreciate purchase price. Vehicles are depreciated in B.C. at the rate of 30% per year and equipment is depreciated at a rate of 20% year. If the equipment brought into B.C. is leased, then the person is required to pay PST based on the number of hours the equipment is in B.C. Where PST is owing, the person must pay the tax directly to government (self-assessing).

According to our understanding of Saskatchewan's Provincial Sales Tax Act, all non-resident contractors, including those who operate in the petroleum industry, are required to register with the Revenue Division for the purpose of reporting tax payable on materials, supplies, equipment, vehicles and tools used in Saskatchewan. Non-resident contractors may be required to obtain a clearance letter upon completion of their Saskatchewan contracts.

A non-resident contractor, including non-resident petroleum contractors, who brings equipment, vehicles and tools into Saskatchewan is required to pay PST on taxable equipment imported into the province for own use on either the depreciated cost of the equipment or on a temporary use method.

Tax must be paid on all equipment and consumables used in activities that are not directly related to exploration, drilling, testing and down-hole servicing including:

- pipeline inspection, laying and servicing;
- hauling goods and to convey personnel;
- collection and/or disposal of waste products;
- safety and environmental monitoring and testing;
- accommodation and other personnel facilities;
- storage and repair;
- road building and maintenance;
- snow removal;
- firefighting and fire prevention; and
- production and extraction

Tax is payable on the following at the time of purchase or upon entry into Saskatchewan:

- passenger vehicles, unmounted trucks and tractors and trailers including power units and bulk transport trailers used to transport equipment or other goods into the province;
- swabbing units used for production (in place of a pump jack);
- spool trucks used to string electrical wire down-hole;
- temporary storage and repair facilities • equipment used for inspecting and servicing drill stem;
- core vans (portable lab) used to examine core samples;
- perforation charges, swab cups and bridge plugs;
- well site-trailers and shop trailers;
- front-end loaders • water trucks, welding trucks, winch trucks;
- pressurizing, depressurizing and vacuum units trucks used primarily for disposal services;
- hauling equipment, including waste disposal;
- firefighting equipment, safety clothing and safety equipment;
- steam injection equipment including water storage tanks, water treatment equipment, pumps and boiler packages, fire ignition unit, light plant, injection lines and portable enclosure;
- maintenance tools including welders, welding supplies, pipe cutters, grinders and hoists; and
- any other equipment that does not qualify for the remission of tax outlined in the Order-in-Council 1436/67.

Leased or rented vehicles, equipment and tools brought into Saskatchewan are subject to tax on the total daily, weekly, monthly or yearly lease/rental charges, including financing, freight, maintenance charges etc., with no pro-ration allowed. For vehicles, equipment and tools leased or rented in Saskatchewan, the PST must be paid to the vendor at the time of lease/rental. In B.C., a business is required to pay tax on the equipment, but they pay tax based on the number of hours the rental equipment is in B.C.

Company owned vehicles and vehicles plated personally by owners and directors of the company are subject to the methods outlined in the Act. Businesses are required to self-assess PST on reimbursement charges paid to employees for use of their vehicles in the following circumstance:

- a non-resident employee brings their personal vehicle into Saskatchewan;
- the vehicle is utilized in the performance of the contract (other than for personal transportation to the job site); and
- the business reimburses the employee by some method. Note: Vehicles registered inter-jurisdictionally for the transportation of goods or passengers will be subject to the Prorated Vehicle Tax at the time of registration and not the methods outlined above.

Resident contractors who ship equipment or component parts outside of the province for repairs that are not eligible for the remission are required to self-assess PST on the repair parts and labour. Freight charges in and out of the province are not subject to tax. Non-resident contractors who ship equipment or component parts outside of the province for repairs during a job are required to self-assess PST on the repair parts and labour unless the repairs qualify for the remission and are capitalized. Any related freight charges in and out of the province are not subject to tax. Repair parts and labour provided to non-resident equipment and component parts that are removed from the province for repair services between jobs are not subject to tax.

Under Section 29 of The Provincial Sales Tax Act, a non-resident contractor working in Saskatchewan is required to post a Guarantee Bond or cash deposit in an amount equivalent to 5% of the total contract amount. It is the duty of the general contractor or principal to ensure that the non-resident contractor complies with this provision. Failure to do so can leave the general contractor or principal liable for any

taxes which the non-resident contractor fails to remit. In order to help meet this requirement, it is common practice to maintain a holdback of 5% until a contract clearance is obtained.

Before final payment is made on a contract, the subcontractor must obtain a clearance letter from the Revenue Division and provide a copy of the letter to the general contractor principal.

Saskatchewan fuel tax must be paid on all purchases or imports of gasoline and diesel fuel, except where specifically exempt under the Fuel Tax Act, 2000. No exemption is available in Saskatchewan for off-road use of these fuel products.

Of special interest, general contractors, subcontractors and principals must provide Saskatchewan's Revenue Division with the following information on all subcontracts which are awarded by them: the name & address of each subcontractor; the nature of each subcontract; the value of each subcontract and who is responsible for the tax; and the proposed date of commencement and completion of each subcontract.

It is the duty of the general contractor or principal to ensure that the non-resident contractor complies with the above mentioned provision. Failure to do so can leave the general contractor or principal liable for any taxes which the non-resident contractor fails to remit.

Non-resident contractors are required to become registered as a consumer and pay tax on equipment used in carrying out their contracts in Saskatchewan. Tax is payable on the contractor's cost of all materials and supplies used to complete each contract. Formulas are used to calculate the pro-rata amount of tax owing on equipment.

Provincial Sales Tax bulletins, forms and information are available on the Internet at:

<http://www.finance.gov.sk.ca/taxes/pst>

See PST-38, *Information for Non-Resident Real Property and Service Contractors* for further details at

www.finance.gov.sk.ca > ... > Programs & Services > Provincial Sales Tax -

<http://www.finance.gov.sk.ca/revenue/pst/bulletins/PST-38%20Non%20Resident%20Contractors.pdf>

And see PST-13, *Information for PETROLEUM DRILLING & WELL SERVICING CONTRACTORS* at

<http://www.finance.gov.sk.ca/revenue/pst/bulletins/PST-13.pdf>

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Protect British Columbia companies' ability to compete on bids by creating a level playing field when bidding on contracts. Conduct a full and comprehensive analysis of Saskatchewan's tax laws in relation to non-resident contractors/businesses in comparison to British Columbia's tax laws to tighten loop holes and ensure B.C. businesses are submitting their base costs at the same level as non-resident contractors;
2. Fully staff a field audit branch in communities close to bordering provinces;

3. Monitor, track and publicly report the taxes collected from non-resident contractors, putting the majority of these funds back into education and enforcement programs;
4. Require all non-resident contractors coming to work in B.C., including those who operate in the petroleum industry, to register with the Ministry of Finance for the purpose of reporting tax payable on materials, supplies, equipment, vehicles and tools used in British Columbia. Non-resident contractors to be required to obtain a Clearance Letter upon completion of their British Columbia contracts and provide it to the General Contractor or Principal prior to a hold back payment on contract being made. Provide proof of WorkSafeBC coverage, if necessary;
5. Require General Contractors or Principal to ensure non-resident contractors comply with BC tax and labour laws, or possibly be held liable for non-compliance;
6. Require Ministry of Finance to be responsible for providing Clearance Letters to sub-contractors, for the purpose of providing to General Contractor or Principal as proof of non-resident contractor's compliance;
7. Require General Contractor or Principal to identify/report to the Ministry of Finance their sub-contractors for the purpose of compliance and audit checks; and
8. Develop educational opportunities to raise awareness to non-resident contractors to educate as to what our B.C. tax and labour laws are. Encourage a better understanding through an information campaign through industry associations and government offices.

PST COLLECTION FOR CONTRACTS TO IMPROVE REAL PROPERTY (2016)

Ever since the re-introduction of the Provincial Sales Tax (PST) back in 2013, issues of administering and collecting the sales tax continues to pop up to this day. The latest issue involving the PST is regarding the collection of the sales tax by real property contractors.

Back in 2008, the provincial government changed the way real property contractors collected and remitted the PST on behalf of customers. Starting in October 2008, real property contractors were required to pay the PST on any materials used in the completion of a contract to improve real property, unless explicitly stated otherwise in the contract that the customer would pay. Shortly after this change, the B.C. government began the transition to the HST, which made this transition by real property contractors moot.

When the provincial government transitioned back to the PST, they reverted back to the October 2008 method for real property contractors to pay PST on materials. But not all contractors began to pay the PST on materials they used to complete their projects. Instead, some contractors continued to use their PST exemption number when they purchased materials and then charged the customer the PST back on their invoice. These contractors would then remit the PST they collected from the customer to the provincial treasury.

Since real property contractors aren't allowed to collect the PST from customers under current legislation, any customer charged PST by the contractor had to be refunded that amount. At the same time, those contractors who used their exemption on materials still owed the provincial government for the PST on

said materials, even though the provincial government already received the PST that the contractor collected from the customers.

The potential scope of this issue is massive. New home construction has materials making up \$175,000 of the cost for a home. With 30,000 new homes per year, that is \$5.25 billion worth of materials. That means contractors are responsible for paying and/or collecting potential PST up to \$350 million. For renovations, materials make up \$2 billion meaning contractor pay and/or collect potential \$140 million. For contractors, an honest mistake, whether working on large contracts or multiple projects, could mean owing tens of thousands of dollars or more. As a small business operator, with smaller operating margins, this amount is a significant hit on the bottom line for any small business owner.

These real property contractors thought they were doing the right things when they collected the PST from customers. Under current legislation, this turns out not to be the case, but an honest mistake none the less that is impacting the viability of a number of small businesses.

This issue does raise the question as to what is the best, most efficient way for real property contractors to collect and remit PST. The Chamber has been consistent in its view, that the introduction of a value-added tax would solve many of these problems, but with the re-introduction of the PST it is vital that the provincial government work with real property contractors to find the right balance that works for them to collect the PST and remit it to the government.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Review the current method for real property contractors to collect and remit PST with all stakeholders; and
2. Amend regulations and/or legislation to provide real property contractors flexibility in collecting and remitting PST in a manner that best works for the contractor and their customer.

REAL ESTATE, CITIZENSHIP & RESIDENCY DATA COLLECTION, ANALYSIS AND REPORTING (2016)

There is a growing level of concern that the British Columbia housing market, particularly in urban regions, has become over inflated. Many domestic and international organizations claim that B.C. is experiencing a housing bubble. Local citizens worry that soaring prices have pushed the dream of home ownership forever out of reach. Several partial studies⁸ have attempted to determine the impact of foreign buyers on various segments of the B.C. housing market, however a full province-wide study has yet to be completed. In the absence of factual, reliable data, the public is left to speculate and governments are unable to implement evidence-based solutions.

As part of the B.C. Budget 2016,⁹ the provincial government announced that “Individuals who purchase property will need to disclose whether or not they are Canadian citizens or permanent residents of Canada. Individuals who are not Canadian citizens or permanent residents of Canada will need to disclose

⁸ <http://www.slideshare.net/ayan604/ownership-patterns-of-single-family-homes-sales-on-the-west-side-neighborhoods-of-the-city-of-vancouver-a-case-study>

⁹ http://bcbudget.gov.bc.ca/2016/bfp/2016_budget_and_fiscal_plan.pdf#TaxMeasures

their home country or state. If a property is registered in the name of a corporation, the transferee must disclose the total number of directors, the number of those who are Canadian citizens or permanent residents of Canada, and the name, address and citizenship of all foreign directors.” Although the 2016 B.C. Budget announcement is a step in the right direction, it will take many years before enough information is collected to be useful. Therefore, it is important to expand this measure to track and analyze the citizenship and residency of property owners of existing properties within British Columbia. Furthermore, the Province has not made it clear how any of the collected data will be used or if it will be made available to the public. Canada is one of the few industrialized countries who fails to track foreign property ownership. One only need to look to our neighbours in the United States to find examples of how foreign property ownership is tracked, analyzed and recorded. Through organizations such as the National Association of Realtors (NAR), the United States records and reports data on foreign property ownership through a public¹⁰ annual report which focuses on the purchase of U.S. homes by people whose primary residence is outside the U.S.

An over-inflated housing market can cause many forms of speculation as the population attempts to determine the causes. This leads to fears relating to the real estate industry, including suspicions of improper or dishonest dealings by those in the real estate profession. It also causes fears of potential risks to the economy, such as labour shortages and stifled business innovation as skilled workers prefer to locate to other regions where they can afford homes. Various regions also fear the loss of potential new businesses and the accompanying jobs they create if they are unable to find workers. A very clear example has been playing out in Whistler as this jurisdiction has struggled with a severe labour shortage resulting from a lack of affordable housing. This issue can lead to a negative impact on growth and financial contributions to public services. It is imperative that we begin to understand the full scope and impact foreign non-resident real estate investment can/is having on B.C., as speculation is leading to unfair stereotyping of various ethnic group.

For 20 years, it was standard practice to file citizenship declaration forms along with every property transfer registered in the BC Land Title Office. These statements indicated the citizenship of individuals and directors of corporations purchasing land in B.C.¹¹ They were collected and stored without any analysis during the tenures of previous provincial governments. No financial resources were ever allocated to inventory and catalogue these statements which resulted in the cancellation of the program in or about 1998. Subsequently all data was destroyed.

In accordance with the *Property Transfer Tax Act*, the Ministry of Finance currently collects a variety of personal data through a Property Transfer Tax Return (Version 26)¹² which is filed electronically for every property transfer filed in the BC Land Title Office.¹³ Through the tax returns, the Ministry of Finance calculates and facilitates the collection or exemption of property transfer tax. Exemptions or partial exemptions are identified through a variety of clearly defined exemption codes.¹⁴ The Ministry of Finance is also responsible for auditing property transfer tax returns and investigating fraudulent exemption claims.

THE CHAMBER RECOMMENDS

10 <http://www.realtor.org/topics/profile-of-international-home-buying-activity>

11 Statement from IAN CB SMITH, Retired Director of Land Titles for the Province of B.C.

12 [Sample PTT Form Version 26 \(new\)](#)

13 <http://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax>

14 <http://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax/understand/exemptions>

That the Provincial Government:

1. Ensure that citizenship and residency data collected through Ministry of Finance Property Transfer Tax Forms are recorded, analyzed and publically available on a regular basis; and
2. Requisition a full provincial study to collect and analyze citizenship and residency data on all real estate property in British Columbia and publish the results.

SMALL BUSINESS BENEFITS FROM SIMPLIFYING THE MSP TAX SYSTEM (2016)

B.C. is the only province in the country to levy a healthcare premium, while other provinces such as Ontario and Quebec use a payroll and/or income tax surcharge. Further, this is a flat tax impacting all equally. The Province recently announced some changes to help alleviate the hardship caused on those with lower incomes. However, this does not address business costs as most provide MSP as part of a benefits package for their employees or the increases that are carried by employers with a union workforce. There needs to be a more equitable and less costly health care funding system.

Every resident of B.C. is required to have MSP coverage and pay premiums, either directly or through their employer. As of January 1, 2016, if the employer isn't picking up the MSP expense, a person's monthly fee is \$75 for singles, \$144 for a family of two, and \$150 for a family of three or more.¹ An individual earning \$30,000 pays the same premiums as one making \$300,000, and a family earning \$40,000 pays the same premiums as a \$400,000 family. The amount of uncollected premiums is approaching half a billion dollars and the costs to maintain this increasingly complex system is reducing the impact of the \$2.4+ billion dollars collected annually to help fund health care. The 2016 B.C. Budget did include minor changes that remove children from the calculation of premiums and raises the income level at which MSP payments start to alleviate the costs for a certain percentage of the low income population.

The MSP program imposes a tax on B.C. residents that has been called "punitive, regressive, inefficient, administratively expensive and discriminatory."² MSP premiums, often defended as a means of controlling health care costs through consciously making individuals aware that health care is not free, has failed to be an incentive for individuals to conserve on their usage.

Abolishing the MSP premiums would not be easy as it generates almost \$2.5 billion annually (in 2015-16, according to the 2016 B.C. Budget document page 16, Table 1.8). MSP premiums are B.C.'s single largest source of non-tax, own-source revenues, and they exceed other notable revenue sources such as corporate income tax or natural gas royalties.³ MSP premiums do not cover the full cost of health care in B.C., which is projected at \$19.6 billion of the province's \$48.1-billion budget.⁴

B.C. is the only remaining province in Canada to have a separate funding mechanism to collect funds for medical services. One of the reasons for this approach is to be an educational tool to reinforce the high cost of medical services and reduce unnecessary usage.⁵ Ontario eliminated its health care premiums in

1 BC Budget 2016

2 Vancouver Sun Editorial – February 19, 2016

3 Business Council of BC

4 Vancouver Sun, T Sherlock – February 16, 2016

5 Jon Kesselman, Canada Research Chair in Public Finance, Simon Fraser University.

1990 by introducing an employer payroll tax. In 2004, the Province of Ontario reintroduced individual health care premiums through the income tax system; these are not flat-rate levies, but rise with income to a maximum annual \$900 at taxable incomes of \$200,000 and higher. This approach avoids regressive effects as well as the administrative and compliance costs of collecting separate premiums. Alberta, too, eliminated premiums in 2009 and introduced a new health care contribution levy in 2015.

Eliminating the bureaucratic apparatus needed to collect the premiums by collecting the MSP revenues through one or more existing taxes would eliminate the financial burden on employers, the self-employed and retirees as well as those associated with premium assistance. Small business owners and the self-employed also realize these costs through higher benefit expenses for employees and individual premiums that rise faster than the rate of inflation. The MSP is a cost driver for employers, and in that sense it poses problems.

THE CHAMBER RECOMMENDS

That the Provincial Government mandates an overhaul of the current MSP system through the new Provincial Tax Competitiveness Commission (PTCC) giving consideration of the following options:

1. Replace the MSP with a progressive and equitable approach to health care funding;
2. Abolish the current MSP premium system and implement a line item to the provincial income tax; and
3. Provide in advance at least one year's notice to indicate that the MSP tax would be replaced with a combination of a payroll tax and an income tax surcharge, as is done in Ontario.

TAXATION OF SHORT TERM RESIDENTIAL RENTAL UNITS (2016)

Background

As British Columbians continue to embrace the sharing economy, short term residential rental companies, such as Airbnb and Vacation Rental by Owner (VRBO), and Online Travel Agents (OTAs) such as booking.com are gaining a larger presence across British Columbia. Currently, these companies or "Booking Agents" do not fall under any of the regulatory, legal, taxation, health and safety or insurance laws of traditional accommodation providers.

Provincial and Municipal Resort Destination Taxes

While these online platforms have the potential to be valuable conduits for bringing visitors to British Columbia and bolstering the tourism industry, there needs to be further management of this emerging sector. Currently, these commercial transactions are not generating the tax revenue they should.

The size of this segment of the sharing economy has been growing at a rapid pace over last four years. There are an estimated 10,000-plus units province-wide that are currently unregulated and not contributing to the B.C. tax base.

Because these transactions are private, there is no accurate estimation on the amount of tax revenue lost. Conservative estimates suggest more than \$16 million dollars in general tax revenue and upwards of \$3 million in the Municipal and Regional Destination Tax (MRDT) is being overlooked. This impacts both

the province as a whole and, specifically, those communities that rely on MRDT marketing dollars to help boost their local economies. Consequently, accommodation providers, retailers, restaurants and bars, transportation providers and other sectors of the visitor economy are all affected.

In 2013, British Columbia's hotels generated \$572 million in tax revenue for the Province and an additional \$294 million for municipal governments. Revenues would be greatly augmented if private accommodation providers were taxed similarly.

Currently, with these on-line platforms, the onus of tax compliance is on the owners, managers who rent out the space. However, at the 2015 Tourism Industry Conference in Vancouver, Airbnb publically acknowledged that there should be a regulatory requirement to collect taxes to contribute to the visitor economy and that they are supportive of the efficient collection of tourist and/or hotel taxes in jurisdictions that have such taxes.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Ensure that appropriate PST and applicable MRDT be collected and remitted at the point of purchase of room nights on short term residential rentals; and
2. Ensure that all operators, managers and/or booking agents of 4 or more rooms be subject to collection and remission of PST and applicable MRDT taxes.

A MORE TRANSPARENT APPROACH TO TAXATION IN B.C. (2015)

Issue

Governments have a range of revenue mechanism available to them. Taxpayers pay income taxes to provincial and federal governments and property taxes municipally. Most provinces have a provincial sales tax and there is the Goods and Services Tax (GST). There is also a host of other revenue measures employed by government. These include health, social security and employment taxes, import duties, license fees, taxes on the consumption of alcohol and tobacco ('sin' taxes), natural resource fees, fuel taxes, hospital taxes, and a range of fees and levies.

The contract between government and the people has been that a mix of these revenue mechanisms will be utilized in a manner that allows them to provide the range of services that are required by the public. Too low on the service side, or too high on the revenue side and the public express their displeasure through the ballot box.

This contract appears to be under increasing pressure in B.C.

The Chamber recognizes that the provincial government has made significant strides in improving B.C.'s tax competitiveness, both at the personal and the corporate level. Indeed, with the exception of Alberta, B.C. has the lowest level of personal tax for individuals.

However, a combination of increasing costs and sluggish wage levels are resulting in British Columbians believing that their tax burden is increasing. This is happening at a time when we are also seeing a

demand for increased service levels and that along with continued growth and an aging population will increase pressure on public savings.

So what are the factors driving this issue?

A policy of tax shifting?

One trend that is exacerbating the concern of the public is a sense that government are shifting away from its reliance on personal and corporate taxes and is funding the reduction in the taxes through a move to increasing fees and shifting the burden onto more regressive consumption taxes.

The range of measures cited for this are significant. Quite clearly, we have seen a very transparent tax shift policy with the introduction of the carbon tax. The carbon tax represents a \$1.2 billion shift away from personal and corporate taxes onto a tax on carbon consumption.

In addition, Budget 2015 saw the removal of the 16.8% tax rate on individuals with incomes over \$150,000¹ returning the rate to the previous 14.7%. A significant concern has been raised by the fact that Budget also saw MSP premiums increased by 4% affecting all British Columbians.

It would be overly simplistic to suggest that one tax cut is undone by an increase somewhere else. However, the public are increasingly concerned that tax cuts are being undermined (or even overtaken) by increases elsewhere. A foundational reason for this is a poor understanding of the overall tax burden facing B.C. families.

An Affordability Crisis?

Increasingly our members are telling us that this is resulting in an affordability crisis in B.C. While the drivers of this issue are varied and complex there is a strong sense in the public that government taxes, fees and charges are a key (of in some cases the sole reason) for these issues. The public are increasingly feeling that they are 'taxed to the limit' and that government has sufficient revenue streams and it is simply a case of managing revenue more appropriately.

This is a worrying trend when we consider some of the decisions facing governments in the near future. In addition to recent challenges with balanced budgets governments are facing a very real demographic challenge that will fundamentally undermine their ability to provide the same level of public service as our population grows and, more importantly, ages. This will be a particularly acute challenge for B.C.

Increased focus on targeted tax measures

In recent budgets at both the provincial and federal level, we have seen a significant increase in targeted tax measures. While long a feature of tax policy there has been a substantial increase in the range of these credits. The Chamber recognizes that there are situations where designated tax measures provide a valuable addition to governments' ability to shape behavior.

The BC Chamber has been on record as supporting credits for very specific areas where new investments need to be incented. The BC Chamber has advocated for credits to encourage additional training, to incent investment in key areas as examples. However, the increase in scope of these taxes has not been driven by positive economic outcomes but have been driven by a new tendency to reward or encourage certain types of individual behaviors.

¹ This change will be introduced in 2016

We now have credits targeting a range of economic activity, home renovation, children and adult fitness tax credits and child arts credit. There is no doubt that tax credits do represent a reduction in the cost of programs that are beneficial to the economy, community and to the individual. The question is the extent to which these credits encourage additional activity in these areas or whether they simply reward activity that would have occurred if no credit was in place.

The most effective way to begin to redress the current public discourse is through transparency and information. The cornerstone of this transparency is to understand what the actual tax burden is on the taxpayer. The Chamber recognizes that there are a number of organizations, including municipal, provincial and federal governments, along with research organizations such as the Fraser Institute, C.D. Howe Institute, and KPMG conduct extensive tax research and regularly publish tax comparisons. Yet, there is no single source compiled in a user-friendly format with which to easily compare the overall tax burden by municipality across British Columbia, or indeed across the country.

There would be exceptional value in understanding the tax burden on the taxpayer (Overall Tax Burden). If the overall tax burden were understood, the effectiveness of tax measures and programs could be measured by changes in the overall tax burden.

Portions of the overall tax burden are quite easily measured. Though at varied rates, municipal, provincial and federal taxes are readily available on a yearly basis. Other taxes, such as consumer taxes are not as easily measured in absolute dollar value, though one can get a sense of their relativity through comparing the Consumer Price Index (CPI). The CPI provides a comparative indication of the cost of living across Canada by jurisdiction in extensive detail.

The Chamber would like to see these different aspects of available tax and consumer information combined into a more comprehensive report on a yearly basis. With the information available, provincial economists could provide a more complete picture of the overall tax burden by overlaying the municipal tax rates on the provincial and federal tax brackets. This would provide a more accurate depiction of a business's or individual's tax burden, which could then become a basis for comparing either the profit potential for new business development or an individual's net income. In the case of the individual inquirer, the information would show their net purchasing strength against varying CPI's across the country.

With this foundation of information, government then needs to begin a dialogue with the public on the key questions we need to address to regain the public's confidence and to set the stage for tough decisions to come:

- How do we maintain a competitive taxation regime in the face of the return to the PST?
- How does B.C.'s mix of personal and corporate tax levels, combined with the various taxes and levies compare to other jurisdictions?
- Should B.C. undertake a shift from direct taxation to a greater reliance on user fees and consumption?
- Is the increase in targeted tax measures providing a return to the provincial government and to what extent are they undermining government's ability to undertake broad based tax reductions and/or increased program spending?

The erosion of trust from the public around taxation decisions has already had a negative impact on individuals and the economy. We saw many of the concerns outlined above play a direct role in the public's rejection of the HST. Despite the almost universal support from academics and extensive

support from business the public rejected the clear benefits of the HST. We are seeing many of these same narratives as we go through the Transit and Transportation plebiscite in Metro Vancouver.

Government must be proactive in address what represents a crisis in public trust in the most critical

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Develop a full and comprehensive means of measuring the overall corporate and individual tax burden on a provincial and municipal basis;
2. Work with other provinces and the Federal Government to create a consistent measure of the overall tax burden on a provincial and municipal basis; and
3. Commit to a provincial dialogue on tax in B.C. to determine what is the appropriate mix and type of taxes, fees and levies needed to pay for governments programs and services.

EXPLORING PUBLIC ENGAGEMENT ON MAJOR NEW TAXATION INITIATIVES (2015)

There is widespread agreement that a major reason for the rejection of the Harmonized Sales Tax (HST) in B.C. was the lack of provincial government consultation before the HST's implementation. Chambers across B.C. have long lobbied for the implementation of a HST; a report published by the independent HST Review Panel appointed by the provincial government states that, "*virtually all economic analysis finds the HST increases economic growth, productivity, wages and the quality of jobs.*" Thus, there are very strong arguments in favour of the HST. The problem is that the provincial government, in this case, did not make these arguments before implementing the HST.

The rejection of the HST by voters in the recent referendum has been quite costly to the B.C. economy. According the Independent Review Panel, by 2020 the HST would have added 24 000 jobs and 2.5 billion dollars to B.C.'s economy. This has all been lost.

Going forward, let us take into consideration the valuable lessons learned from the demise of the HST. Specifically, the provincial government and federal government should substantively engage the public before the implementation of major new taxation initiatives.

The Chamber recognizes that substantive consultation processes already exist in terms of identifying public policy priorities involving taxation.

In addition to the Select Standing Committee on Finance and Government Services annual Budget consultations, the provincial government has undertaking reviews on B.C.'s tax competitiveness and of the B.C. Carbon Tax and has also recently undertaken a review of B.C.'s major industrial property tax structure. However, these initiatives were not guided by any principles regarding outreach and more importantly, no one is held accountable for the recommendations that arise from these processes.

The Chamber, therefore, believes that such engagement should be guided by best practices for effective

public engagement. As an example, the Chamber believes that the following core values could form a basis for the design of such a stakeholder participation system:

- Based on the belief that those who are affected by a decision have a right to be involved in the decision-making process;
- Includes the promise that the public's contribution will influence the decision;
- Promotes sustainable decisions by recognizing and communicating the needs and interests of all participants, including decision makers;
- Seeks out and facilitates the involvement of those potentially affected by or interested in a decision;
- Seeks input from participants in designing how they participate;
- Provides participants with the information they need to participate in a meaningful way; and
- Communicates to participants how their input affected the decision.

THE CHAMBER RECOMMENDS

That the Provincial Government works with all stakeholders, both public and private, to explore the creation of stakeholder engagement models that can be used during the proposal and implementation of major taxation initiatives.

GAMING EVENT LICENCES – NOT-FOR-PROFIT ORGANIZATIONS (2015)

Gaming event licences in B.C. are issued to groups or organizations to raise funds to benefit the broader community¹. These licences are issued by the Gaming and Policy Enforcement Branch of the provincial government and include raffles, 50/50 draws and social occasion casino nights.

Issue

Gaming licences are issued to organizations that benefit the broader community but the regulations specifically prohibit organizations that are not charitable or religious from being issued a licence. This regulation denies many not-for-profit organizations that deliver tremendous community benefit from using this valuable fundraising tool. Our communities rely on a wide array of not for profits to provide services in our community. As not for profits struggle to find sustainable funding business organizations need access to this form of fundraising to ensure their future financial sustainability.

Background

The regulations regarding gaming² indicate that not-for-profit groups that are primarily for charitable or religious purposes are eligible for licenses. This definition is extremely narrow and suggests groups that do not have charitable status do not sufficiently benefit the community and that is simply not the case. There are a variety of organizations that benefit the community that do not have charitable status and these organizations should be eligible for a gaming licence. The regulations go further in para 8.1 to categorize the licensees as follows:

Arts, Culture and Sport Programs that enhance performing arts, media arts, or visual arts, literature, heritage or culture in the community, and sports.

Environment Programs that enhance British Columbia's environment or protect the welfare of

1 <https://www.gaming.gov.bc.ca/licences/index.htm>

2 <https://www.gaming.gov.bc.ca/licences/docs/guide-a-b-licence.pdf>

animals and wildlife.

Human & Social Services Programs that significantly contribute to the quality of life in a community, including assisting the disadvantaged or distressed, promoting health or enhancing opportunities for youth. This category includes service clubs (see section 8.8)

Public Safety Programs that enhance and support public safety initiatives, disaster relief and emergency preparedness within British Columbia.

Parent Advisory Councils (PACs) Parent Advisory Councils at public schools and parent groups with independent schools (Type 1 or 2) on behalf and for the benefit of students at that school.

Community Fundraising Groups (see section 8.9)

The regulation in 8.2 reads as follows:

8.2 What makes an organization eligible for a gaming event licence? An organization may be eligible if it:

- *Is operated on a not-for-profit basis and primarily for charitable or religious purposes;*
- *Delivers programs or provides services providing direct community benefit;*
- *Can demonstrate that it has provided programs or services for a minimum of 12 months prior to application;*
- *Has a voluntary and broadly based membership involved in the management and control of the organization and its programs. Generally, the voting membership of the organization must be more than double the number of Board members;*
- *Delivers programs or services established and maintained by its volunteers;*
- *Has board members that are democratically chosen by, and from within, its volunteer base;*
- *Has board members that do not receive remuneration or other financial benefit for their services as an executive member; and*
- *Meets the Province's standards for financial accountability.*

The list of licensees includes a broad list of entities that are neither charitable nor religious and these groups are regularly granted gaming licenses. Presumably they are granted these licenses because they serve the community. Not for profit business organizations serve their community and should be on the list of licensees.

The result of these restrictions is that not for profit business organizations in a community cannot hold a simple 50/50 draw at social events. These organizations cannot hold a casino night or other event that includes any type of gaming in their member events. The B.C. restriction is excessive and not in line with other jurisdictions which allows a broader definition of not for profit to be eligible for gaming licences.

THE CHAMBER RECOMMENDS

That the Provincial Government amends the gaming regulations to allow not-for-profit business organizations whose activities benefit the community to be eligible for gaming event licenses.

PROPERTY TRANSFER TAX REFORM – ADDRESSING B.C.’S HOUSING AFFORDABILITY CHALLENGE (2015)

The Chamber has been on record for some time advocating that affordable, market based housing for families is a major factor in creating attractive, livable and competitive communities. Affordable housing is important to the business community both as an economic driver in its own right, and also as a competitive advantage in the search for a skilled workforce and community growth.

Business must remain competitive and the cost of housing is a major source of wage pressure. Any additional wage costs are passed to consumers and increased consumer costs will only encourage buyers to search alternatives (cross border shopping, etc.).

The Chamber recognizes that the purchase price of a house is a market function that will find a natural balance if left unimpeded. However, government at every level have been distorting this market by consistently imposing unnecessary costs and restrictions on the market. This has led to increased pressure on costs and therefore prices. This is exacerbating the housing affordability crisis that is impacting communities across B.C.

A critical contributor to this issue is the Property Transfer Tax (PTT), which affects the affordability of housing throughout the province of B.C. B.C. continues to hold the highest prices across Canada and has seen increases of 16% since 2012, while the national average increased 13%. The PTT is often repeated and continually imbedded in the ultimate cost passed on to consumers. The Chamber believes that the majority of this tax burden, which was originally intended to impact only the elite now affects virtually everyone who purchases a home. As such, the original “luxury tax” is now burdening the working class.

B.C. residents are enduring the highest cost of housing in Canada, with prices almost 100% higher than the national average. This high cost of housing places a burden on economic stability and creates a barrier to attracting and retaining skilled workers to certain sectors and regions.

The Chamber believes that reduction and eventual elimination of the property transfer tax creates a positive impact on the business community and the Province via:

- Improving the affordability of housing for residents;
- Creating attractive, livable, and competitive cities;
- Retaining residents in B.C. to fill skilled jobs;
- Attracting skilled workers to B.C. to fill specific vacancies;
- Generating additional economic contributions in communities, as each property transaction generates on average \$42,000 in expenditures in local communities; and
- Drive job creation, as the sale and purchase of homes has a positive impact on direct and indirect jobs.

Canadian Provinces Average House Prices, February 2015³

Province	Average House Price
British Columbia	\$ 617,581
Ontario	\$ 448,189
Alberta	\$ 382,247
Saskatchewan	\$ 300,738
Newfoundland/Labrador	\$ 282,638
Quebec	\$ 272,001
Manitoba	\$ 266,513
Nova Scotia	\$ 215,946
New Brunswick	\$ 172,833
Prince Edward Island	\$ 164,774
Canadian Average	\$ 312,346

Data provided by The Canadian Real Estate Association

Current Property Tax Model:

Currently, the Tax is charged at 1% of the value of property up to \$200,000 and 2% on the remainder of the value. This results in \$10,352 of tax on the average house price of \$617,581.

First time home buyers (FTHB) who are B.C. residents can be eligible¹ for an exemption or refund of the tax if the value is less than \$475,000. This limit was recently increased by the Provincial Government and shows positive signs of commitment to property tax reform and the introduction of mechanisms to attract home buyers to B.C.

Proposed Revisions to Property Transfer Tax:

The Property Transfer Tax is a significant source of income for the province of British Columbia. The 2014-2015 Provincial Budget shows that the tax should generate close to a billion dollars per year for the B.C. government for the next 5 years. As such, we realize that any adjustments to eliminate the Property Transfer Tax need to be managed in a fiscally responsible way to avoid offsetting increases in income taxes or cuts to essential services. Similarly, the low personal tax rates and strong public services are equally attractive factors for B.C. Therefore, any proposals to reduce taxes must have compensating measures to maintain a balanced budget.

We recommend that the B.C. Government initially increase the threshold to a level consistent with the original intention of taxing luxury items i.e. to a value consistent with actual prices in B.C., being \$600,000 for B.C. Residents who are purchasing a primary residence. The threshold of \$600,000 and \$475,000 for first time home buyers' exemptions, should continually be increased in line with the changes in home prices to reflect the current economics.

Over the longer term, we recommend further reducing the rates of tax with the intention of eventual elimination.

³ <http://www.crea.ca/statistics>

The Primary Residence Grant

In addition to amending the thresholds the Chamber also believes that further reform would address the issue of affordability. Indeed, property transfer tax reform would be considerably advanced through an initiative that would offer qualified purchasers a Primary Residence Grant. Currently Property Transfer Tax is calculated at 1% on the \$100,000 of property value and 2% on the remainder. Increasing that threshold would go a long way to make the purchase of a Primary Residence more affordable.

Primary Residence Grant qualifications would be similar to those for First Time Home Buyers, requiring applicants to be Canadian citizens or permanent residents and would be available to purchasers moving to British Columbia from other areas of Canada increasing the appeal of relocating to British Columbia.

The existing PTT formula, 1% on the first \$200,000 and 2% on the remaining purchase price of properties not intended to be the primary residence, would remain as is.

The current Property Transfer Tax Return would only require an additional declaration, similar to the First Time Homebuyers declaration, to determine the intended use of the property and the qualification of the purchaser.

No Tax Barrier Investment Haven

Politically stable, safe, secure and beautiful, British Columbia, especially Vancouver, with its no-foreign-tax-barriers-to-buy-or-sell, is an attractive location and investment haven for wealthy offshore investors.

B.C. does not track real estate buyers by foreign residency status and determining the exact amount of foreign ownership is difficult at this time. However, a reasonable measurement of that trend is found in a report done by the Landcor Data Group and published in 2011.

The Landcor Data Group found that in 2008 and 2010, between 46 and 74% of buyers of condos over \$2 million and homes over \$3 million were sold to persons identified by Landcor as Peoples' Republic of China investors. While the Chinese buyer group is significantly present, other foreign buyers from 90 different countries are also entering the Vancouver market according Landcor.⁴

Foreign ownership in large, international cities is happening around the world.

At the end of 2013, Britain introduced a 'stamp of duty' of up to 15 percent on purchases of more than 2 million pounds by foreign buyers made through corporations. And next year, Britain will introduce new capital gains tax on property owned by foreign property investors.⁵

Other cities such as Paris and New York already impose similar capital gains taxes that relate to an owner's residency status.

Since 2012, Hong Kong has required foreign investors and companies to pay a special 15 per cent tax also referred to as a 'stamp duty'. In fact, most countries tax foreign ownership in some way.⁶ In Canada, the province of Prince Edward Island has special purchase rules and restrictions in place to prevent Americans from buying up beach front property.

⁴ http://www.landcor.com/market/reports/Q1_2011_Residential_Sales_Summary_Final.pdf

⁵ <http://www.telegraph.co.uk/finance/newsbysector/constructionandproperty/10417422/Tax-on-foreign-property-owners-to-burst-London-bubble.html>

⁶ <http://blogs.vancouversun.com/2013/12/16/hong-kong-puts-15-per-cent-tax-on-foreign-buyers-will-b-c-follow-suit/>

In Canada, many provinces have restrictions on foreign ownership. Alberta limits non-residents to owning no more than 2 plots of land, not exceeding a total of 20 acres. In Saskatchewan, non-residents may not own land over 10 acres. Prince Edward Island charges non-resident owners higher property taxes and non-resident buyers must apply to purchase land over 5 acres or land with shore frontage over 165 feet.

British Columbia, especially the City of Vancouver, has evolved into a world-class destination that now demands a world-class taxation formula. Increasing the Property Transfer Tax rate for foreign purchasers should be designed to replace any revenue lost due to the reduction for primary residence.

Impact of Primary Residence Grant and Potential Increase for Non-Residents

\$1,000,000 House	First Threshold	Excess Threshold	Estimated PTT	Change
Property Transfer Tax	\$600,000 x 1 %	\$400,000 x 2 %	\$14,000	
Primary Residence Grant	\$1,000,000 x 1 %	\$0 x 2%	\$10,000	(\$4,000)
Non Residents	\$600,000 x 2%	\$400,000 x 2%	\$ 20,000	\$6,000

In order to offset the lost revenues, we recommend that high levels of property transfer tax remain for investment properties (i.e. non-primary residences) and foreign investors (non-B.C. residents). The rates will have to work on contrasting scales, depending on the relative number of buyers and average prices, to manage overall revenue declines to minimize negative impacts on the overall provincial budget. In Canada, many provinces have restrictions on foreign ownership, therefore such a policy would not create a significant competitive disadvantage. In contrast to the old tax structure, which puts a heavy burden on homebuyers who invest in their communities and in effect slows down the growth of the economy, the new structure would help attract families to purchase homes in B.C., create new jobs, fill job vacancies and generally expand the economic pie of the whole province.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Increase the 1% PTT threshold from \$200,000 to \$600,000 (being current average market value), with 2% applying to the remainder of the fair market value;
2. Continually index the 1% PTT threshold and the First Time Home Buyers Exemptions using Statistics Canada's New Housing Price, and make adjustments annually to account for inflation;
3. Continue to increase the threshold for the First Time Home Buyers exemption;
4. Introduce mechanisms to eliminate double taxation when properties are transferred between common owners;
5. Amend the current Property Transfer Tax Act to provide for a new Primary Residence Grant; and

6. Introduce a new Property Transfer Tax rate of a minimum of 2% of the property purchase price for all residential property in British Columbia bought by non-residents of Canada or corporations controlled by non-residents.

RESTRUCTURING B.C.'S REVENUE NEUTRAL CARBON TAX (2015)

Issue

While the Chamber recognizes that the provincial government has maintained the revenue neutrality of the carbon tax we have become increasingly concerned over the tax measures introduced to return the funds to British Columbians. Since the carbon tax was introduced we have seen the tax measures move from broad based personal and corporate tax cuts to a range of niche, targeted tax credits. This is undermining the effectiveness of the carbon tax as a tax shift measure and is undermining support for the tax by limiting the savings British Columbians should be seeing in terms of reduced tax burden.

At the time of its introduction the Chamber network was generally supportive of the carbon tax. While members expressed concern over regional impacts and the erosion of competitiveness for certain sectors there was a recognition that climate change must be addressed and the most efficient and effective way to do that was to place a price on carbon.

The Chamber has been consistent; government must work with sectors that can demonstrate a negative economic impact to mitigate impacts where appropriate. The Chamber has, therefore, been pleased to see the provincial government react in a positive manner to sectors that have identified significant challenges with the B.C. carbon tax.

Government's ongoing efforts to mitigate impacts, when combined with the increasing evidence that the carbon tax is having a significant impact on reducing B.C.'s greenhouse gas emissions (GHG's), are increasingly recognized around the world as establishing B.C. as a global leader in addressing climate change through the effective utilization of market mechanisms.

However, the integrity of B.C.'s Carbon Tax is being undermined by the erosion of its revenue neutrality. Our members were very clear, the carbon tax could not become a slush fund for program spending. In this regard, we were pleased to see that revenue neutrality was enshrined in legislation. The power of the carbon tax is that it represents a tax shift that incents individual and businesses to change their behaviour. While the public are receptive to using carbon tax revenue for initiatives that are intended to reduce our greenhouse gas (GHG) emissions the chamber believes this is a dangerous concept.

The Chamber congratulates the government for continuing to oppose the use of carbon tax revenue for program spending, no matter how worthwhile the cause. Whether it is calls for carbon tax revenue to be used for investment in green or emerging technologies, or the calls by the Mayors Council to use the carbon revenue generated in the Lower Mainland for Translink funding, the Chamber continues to oppose these calls for a very simple reason.

The reality is that governments across the world have shown themselves to be poor judges of which programs or investments will actually result in a long terms reduction in our GHG emissions. While the price signal of a carbon tax has been highly effective at shifting consumption patterns governments' record at investing these funds have a far less successful track record.

Irrespective of governments ability to invest these funds in a manner that creates new economic opportunity, or to pick winners in global markets, the biggest concern is that evidence shows that the one outcome we can be certain of when it comes to taxes earmarked for program funding is that they will increase.

While the government has maintained the principle of revenue neutrality business has watched with growing concern the expansion of credits and tax cuts introduced under the auspices of revenue neutrality.

If we look at the initial allocation of carbon tax revenue when the tax was introduced in 2008 we see that the number of measures were limited in scope and were directed specifically as broad tax cuts for business and individuals.

Table 1 - Revenue Neutral Carbon Tax Plan 2008-09 to 2010-11⁷

	2008/09	2009/10	2010/11
	\$ millions		
Carbon Tax Revenue	(338)	(631)	(880)
Personal Tax Cuts			
- Low Income Refundable Tax Credit	104	145	146
- Reduce bottom two tax bracket rates by 2% for 2008 and by 5% for 2009 and subsequent years	113	230	244
- Additional personal income tax cut rates	-	40	157
Total Personal Tax Measures	217	415	547
Business Tax Cuts			
- Reduce General Corporate Rate to 11% July 1, 2008	75	128	133
- Reduce General Corporate Rate to 10.5% Jan 1, 2010 and to 10% Jan 1, 2011	-	6	73
- Reduce Small Business Corporate Income Tax Rate to 3.5% July 1, 2008	46	79	82
- Reduce Small Business Corporate Income Tax Rate to 3% Jan 1, 2010 and to 2.5% Jan 1, 2011	-	3	45
Total Business Tax Cuts	121	216	333
Total Revenue Measures	338	631	880

This structure of tax reductions was supported by the chamber network as the carbon tax was intended to represent a tax shift. Given that the carbon tax is paid by most British Columbians it is only right that most British Columbians should benefit from the tax measures that result.

Revenue was generated through a tax on consumption generated by the production of GHG's – a societal negative. These revenues were then returned to British Columbians in the form of a reduction in taxes that were detrimental to economic growth – personal and corporate income tax.

While the Chamber congratulates the government for maintaining the revenue neutrality of the tax an examination of the current tax measures shows a serious shift from the original approach.

⁷ http://www.B.C.budget.gov.B.C.ca/2008/bfp/2008_Budget_Fiscal_Plan.pdf, page 15. It should be noted that the \$100 Climate Action Dividend was separate from, and in addition to, these tax reductions

Table 2 - Revenue Neutral Carbon Tax Plan 2014-15 to 2016-17⁸

	2014/15	Forecast 2015/16	2016/17
	\$ millions		
Carbon Tax Revenue	1,228	1,248	1,271
Personal Tax Measures			
- Low Income Climate Action Tax Credit	(194)	(194)	(194)
- 5% Personal Income Tax Reduction	(250)	(258)	(262)
- Northern and Rural Homeowner Benefit	(71)	(73)	(74)
- B.C. Seniors Home Renovation Tax Credit	(4)	(4)	(4)
- Children's Fitness and Children's Arts Tax Credit	(8)	(8)	(8)
- Increased Small Business Venture Capital Tax Credit	(3)	(3)	(3)
- Training Tax Credit extended - individuals	(20)	(20)	(20)
Total Personal Tax Measures	(550)	(560)	(565)
Business Tax Measures			
- General Corporate Income Tax Reduction	(202)	(206)	(224)
- Small Business Income Tax Rate Reduction	(200)	(222)	(241)
- Increase in Small Business Threshold	(21)	(21)	(21)
- Major Industrial Property Tax Credit	(23)	(24)	(24)
- School Property Tax Reduction for 'Farm' Class Land	(2)	(2)	(2)
- Interactive Digital Media Tax Credit	(50)	(50)	(50)
- Training Tax Credit extended - business	(11)	(11)	(11)
- SRED Tax Credit Extended	(99)	(180)	(190)
- Film Incentive B.C. Tax Credit Extended	(80)	(80)	(80)
- Production Services Tax Credit	(198)	(208)	(218)
Total Business Tax Measures	(886)	(1,004)	(1,061)
Total Revenue Measures	(1,436)	(1,564)	(1,626)

Currently the provincial government has identified items to be eligible for funding by Carbon Tax revenue and has defined such funding as "designated tax measures". Even the nomenclature signals a shift in governments approach. On the introduction of the carbon tax the items were clearly listed as tax cuts, now they are designated as tax measures.

When the carbon tax was introduction in 2008 we saw personal tax measures representing 100% of the revenue neutrality measures. If we look at the situation today, we see that broad based tax cuts represent just 38%⁹!

In the case of business, we saw corporate tax reductions also representing 100% of the tax measures in 2008. Today business tax reductions represent just 46% of B.C.'s revenue neutrality.

We recognize that the other measures do represent a reduction in the tax load borne by business and the individual. However, when we look at the recipients of these credits we see a worrying trend towards allocating tax credits to niche interests. Such designated tax measures include the Senior Home Renovation Credit and the Children's Art Credit, and an increase to the small business venture capital tax

⁸ http://B.C.budget.gov.B.C.ca/2014/bfp/2014_budget_and_fiscal_plan.pdf, page 66

⁹ It should be noted that a significant portion of the designated tax measures in 2008 was \$194 million provided through a low income climate action tax credit. While not a broad based tax cut the Chamber recognizes that this represents broad based tax relief as many individuals do not pay income tax the only way to provide benefit to low income individuals is through a tax credit.

credit. While these designated tax measures may be important to the groups that receive them (indeed, several have been supported by the Chamber), many create little or no benefit to the provincial economy and many are questionable as to whether they result in a shift in behaviour, or provide an incremental increase in revenue for the government.

To put this into context, if the original focus on broad based tax cuts were maintained we would have had an additional \$106 million available for broad based personal income tax cuts and an incredible \$463 million available for broad based tax cuts for business in 2014/15.

This shift is made even more challenging by the fact that when government was struggling to achieve a balanced budget the primary revenue mechanism utilized was to increase B.C.'s corporate and personal tax rates. This was done while maintaining the full range of designated tax measures introduced under the carbon tax.

The Chamber is a strong supporter of balanced budgets and recognizes that a shift in tax reductions under the carbon tax would mean the elimination of some tax measures, or would be required to come from general revenue. In this regard the Chamber believes government must review the tax credits under the carbon tax to determine their effectiveness. If the credit is unable to demonstrate that it has driven a shift of behaviour then that credit must be phased out quickly. If the credit can be shown to have had a positive outcome, then government must transition the credit out of the carbon tax and fund the credit from general revenue.

The Chamber believes that while the Carbon Tax appears to be a contributing factor to a reduction in B.C.'s GHG emissions the tax is being undermined by the fact that the majority of people paying the tax are no longer seeing the benefit in terms of a reduced tax burden. This is occurring while business, particularly our critical export industries, continue to have their competitiveness undermined by a tax that none of their competitors are subject to.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Introduce no new tax credits under the auspices of the revenue neutral Carbon Tax;
2. Begin a process to return the revenue neutrality measures of the carbon tax to broad based reductions in B.C.'s personal and business taxes; and
3. Continue to review the Carbon Tax to improve fairness and reduce adverse economic impacts.

COMPETITIVE TAX ENVIRONMENT FOR CREDIT UNIONS (2014)

Last spring, the federal government announced it would eliminate the extended small-business tax benefit for credit unions over the next five years. British Columbia provided a similar tax rate for credit unions because they were eligible for the federal reduction. Phasing out the federal reduction meant that the lower B.C. tax rate would also be removed unless legislative changes were made to protect it.

In its 2014 budget, the B.C. government decided to retain the small-business tax benefit for the province's

43 credit unions until 2016. That was a step in the right direction.

Like banks, credit unions are required to build ever-increasing capital to ensure soundness. But unlike banks, credit unions are member-owned co-operatives and cannot access capital markets. Instead they must rely on retained earnings for capital, while banks are able to issue stock on capital markets. Increasing taxes on credit unions impedes the ability of credit unions to grow their retained earnings and capital.

Credit unions play an important role in B.C. communities by providing financial services to businesses and individuals and by supporting local projects.

We wish to ensure that B.C. families and businesses throughout our rural and urban communities can continue to benefit from the competitive financial services offered by our local credit unions. The people and organizations of the community that use the credit union help set its governance, its owners are its customers. Credit unions are currently the only financial institution in more than 40 communities in B.C. (Source: Central 1 research)

Increased taxes after 2016 will hurt the ability of credit unions to support local economic growth and their ability to support the province's business sector. When credit unions pay higher income taxes, their ability to lend to small businesses, provide service to underserved communities and support local community economic development is reduced.

A 2013 report by Canadian Federation of Independent Business concluded: "CFIB's assessment of the banking industry reveals that credit unions outperformed all the banks in serving the small- and mid-sized enterprise market in 2012."

The 2012 survey results mirrored CFIB's report in 2009, which also showed credit unions were the preferred lenders and services providers for small businesses across the country. Credit unions ranked high in providing financing, the level of their fees and the quality of their account managers.

By standing alongside credit unions, the Chamber believes it is standing with small businesses in B.C. by ensuring B.C.'s business markets have access to the necessary financing and banking services that credit unions provide. The geographic reach of credit unions in northern and rural communities is notable.

Finance Minister de Jong promised to adjust current legislation to shelter credit unions from the full impact of the negative federal income tax change for another three years:

- We commend the provincial government for listening to the concerns raised by credit unions and thousands of their members about the impact a tax hike would have on credit union operations.
- The decision not to follow the lead of the federal government is good news for credit unions, their members and the communities they serve. It is a three-year reprieve.
- If the small-business tax benefit is removed permanently, Central 1 Credit Union estimates credit unions will face an annual tax increase of \$20 million.

The 2014 B.C. Budget maintains a provincial tax rate for credit unions of 2.5 per cent until 2016, at which time the province will phase out the small-business tax exemption for credit unions over a five-year period.

The federal government is currently phasing out its tax benefit and if the Province had not extended the

exemption it would have increased the income tax paid by B.C. credit unions by \$2.8 million in 2013, \$9.5 million in 2014 and \$14.2 million in 2015, Central 1's economics department estimates.

We recommend that the small-business tax exemption be retained indefinitely. This will not be a cost to government because it is currently an unrealized source of tax revenue. In fact, had the federal government not triggered this chain of events, the Province would not have had cause to rescind the small-business tax from credit unions. We suggest that the cost to the province if this exemption ends may be to business and communities who directly benefit from the more than \$17.6 million that B.C. credit unions provide annually to a wide range of community and economic projects. (Source: Creditunionsarehelpinghere.com)

Further, we believe retaining the small-business tax benefit indefinitely is a positive for elected and bureaucratic levels of government who can utilize credit unions as geographically dispersed, community-based sources of economic development stimulus.

By permanently extending the small-business tax credit for credit unions, the government will demonstrate and recognize that credit unions are unique and historically dependent on this tax structure to the benefit of communities. Any opposition to this tax structure could be overlooking the sensitive inter-relationships of member-owned financial institutions that see profits directed to the community for redistribution.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Extend the small business tax benefit permanently; and
2. Continue to work with credit unions to meet their needs with regulations and tax regimes that keep them strong and viable.

RETURN TO 3-YEAR FUNDING AGREEMENTS FOR LICENSED CHARITIES (2014)

Throughout British Columbia vital programs and services are provided by licensed charities and non-profit societies. They play an essential role in communities providing expertise and support to every aspect of our lives, such as human and social services, the environment, arts and culture, sport, public safety, and parent advisory councils. Without the contribution of non-profit charitable organizations many of these vital programs and services would become the responsibility of government at great cost, or would no longer be available to those who require the services many who are vulnerable peoples on low income, disabilities or are underprivileged.

Many of these organizations depend on gaming funds to deliver their programs and services. Therefore, gaming funds indirectly provides many services that significantly impact on the quality of life in communities. Additionally, non-profit organizations are often a significant employer of residents. Given B.C. taxpayers are already concerned with the level of programs and services being provided, we want to ensure that the licensed charities and non-profit societies can continue to provide programs and services as efficiently as possible.

F INANCE

In 1974 the lottery program was established in British Columbia with the stated purpose to support charitable purposes. In 1999 the Province of B.C. entered into a Memorandum of Understanding with the BC Association for Charitable Gaming to commit 1/3 of the annual BC Lottery Corporation revenues for the purposes of supporting licensed charities. Many of these organizations are managed by volunteer Boards of Directors with minimal or no staff. They are also very reliant on financial contributions from the local business community and citizens. It is through the combination of BCLC funding, fundraising programs and corporate support they are able to co-ordinate programs vital to communities' social fabric. In many cases, creation and co-ordination of these vital programs can only begin once the required funds have been secured. Often program development and promotion can take several months to complete before registrations can be accepted and program commencement.

In 2009, the 3-year funding agreements were concluded and the base amount granted was reduced for small non-profit organizations (local organizations received up to \$100K, regionals up to \$225K, and province wide up to \$250K). These organizations providing programs or services of direct benefit to the broader community are required to apply annually. A program is defined as an ongoing service or activity designed to achieve one or more defined objectives. Each application is assessed on its own merit, and within the context of available funding and demonstrated community need. An application does not guarantee any level of funding. The requested amount may not be approved. The amount approved may vary from year to year. It usually takes the branch about 12 weeks to process community gaming grant applications received on or before the applicable sector deadline.

These current processes are very onerous on the organizations and place many worthwhile programs in jeopardy due to:

- the slow processes, which provide a delay in securing funding (applications can only be submitted once per annum and take 12 weeks for a response);
- uncertainty of funding, makes it difficult for organizations to adequately plan into the future;
- instability of funding makes it difficult to enable pre-registration and continuity of services; and
- program providers have difficulties securing contract service professionals due to the uncertainty of annual programming.

We understand the need for proper stewardship of taxpayer funds. We believe the parties could compromise on a process that balances the need for stewardship with longer term funding certainty. This would provide efficiency of program delivery, organizational stability, ability for effective planning, and consistency of services.

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THE CHAMBER RECOMMENDS

That the Provincial Government implements a process whereby:

- a. Approved charitable and non-profit programs with longer term programming can apply for three-year funding commitments;
- b. The funds are distributed annually; and
- c. The organization would still be subject to annual reporting of their compliance before receiving the annual grant.

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CREATION OF A STABLE AND PROSPEROUS FOREST INDUSTRY (2016)

Introduction

The B.C. forest industry, one of the historic cornerstones of our provincial economy, is facing a myriad of challenges at this time

Background

B.C.'s land base is 95 million hectares (ha) with 62% forested land base and of this 62%, 22% is available for harvesting. Parks, Protected Areas and Conservancies make up 14.4% (14,063,250 ha) of the land in the Province which is totally off limits to forestry activity. The forested area is split between the Interior (68%) and Coastal (32%).

In 2014, the total B.C. forest industry revenue was \$16.7 billion, split 62% from the Interior and 38% from the Coastal regions. Total economic output from forestry was \$31.4 billion of which 50% was direct output and 50% was indirect and induced output.

Total employment generated was 145,000 FTE (full time equivalent) jobs in 2014. Of this, almost 63,500 were created within the industry with an additional 82,300 FTEs created through linkages with other industries and suppliers. Revenue from the industry to the provincial government was \$1.4 billion, federal government \$934 million, and municipal governments \$150 million. The forest industry supports 6.3% of the jobs in B.C. or about one out of every 16 jobs. Forest industry manufacturing accounted for 24% of direct manufacturing jobs in B.C. with 40% of the regional economies being forest sector dependent.

Report

The B.C. forest industry is a major contributor to the provincial economy and is important to the social fabric and economic well-being of communities throughout the province.

The industry provides employment and economic opportunities, generates government revenue and is a growing economic contributor to First Nations communities throughout B.C. Since 2002, the Ministry of Forests, Lands and Natural Resource Operations has signed forest tenure agreements with 175 of the 203 First Nations in B.C. These agreements provide \$324 million in resource revenue-sharing and access to 63.2 million cubic meters of timber.

Over the past several years, the timber harvesting land base (THLB) has been reduced significantly to create Protected Areas and Conservancies. In addition, management regimes, such as Eco System Based Management (EBM), have been applied to the Central and North Coast, diminishing the available THLB. The establishment of the Great Bear Rainforest Agreement in this area brings the proportion of conservation to approximately 55% of old growth temperate forest on B.C.'s coast. One of the fundamental cornerstones of the agreement, and EBM, is human well-being for the communities in the area; this commitment has not been fully addressed.

In addition, there has been a tendency by large forest licensees to take profits earned in Canada (B.C. in particular) and use them to purchase a larger share of the industry in the U.S. south where they have more certainty in the land base. This is detrimental to B.C. communities and need to be addressed moving forward to ensure small town economies built around the forest industry survive into the future.

Growing pressure from other industries, such as hydro, oil and gas, and a push to increase parks and protected areas are underpinning the Province's Cumulative Effects Survey to determine how all of the

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different interests will span the existing land base. In other words, the forest industry is still under considerable pressure to operate in a diminishing land base and still maintain a viable presence in communities and the province as a whole.

Recently, several different events beyond the control of the forest industry have resulted in a lack of business certainty for the industry. These events cover a wide spectrum of factors from catastrophic insect infestations, such as the Mountain Pine Beetle and Spruce Beetle in the Interior, to rights and title court decisions awarded to First Nations across the province and the Softwood Lumber Agreement (SLA) with the U.S.

In 2016, the Province will announce the results of a Timber Supply Review (TSR) in the Merritt Timber Supply Area. It is already apparent from information and options provided that this announcement will be significant as it will reduce the amount of timber being harvested by approximately one third for the next several decades. This will result in businesses and forest dependent companies to downsize their activities; this will have a cascading effect on the business community as a whole in the region. The Province currently has a proposed program called the BC Rural Dividend initiative which will provide \$25 million per year for three years. Although this is a start, it needs to be targeted to areas that are facing these historic changes and increased to insure there is a safety net in place to help the survival of effected communities.

All of these cumulative effects have greatly diminished business certainty, resulting in decreased investment and a lack of interest from younger generations to get involved in the industry as a career. Demographically, the industry is in the same struggle as many other cornerstone industries, which helped to grow the provincial economy into what it is today.

Currently, the Province seems to be struggling to deal with all of these different challenges, in a manner which will allow the forest industry to grow and prosper into the future.

This has also resulted in a movement of investment from B.C., south to the U.S. where companies that flourished from the natural resources of B.C. are now taking their dollars and purchasing manufacturing plants in the southern states where certainty of the land base and a lower cost structure are more attractive.

Several solutions present themselves and with the assistance of the provincial government, the B.C. forestry industry and the province as a whole would benefit.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Take steps to halt the erosion of the timber harvesting land base by making impacts on the timber harvesting land base a mandatory consideration in the approval process for any further creation of parks and protected areas or other similar initiatives within timber harvesting land base areas.
2. Ensure there is sufficient funding and consultation with industry stakeholders in place to complete the cumulative effects work that is currently underway in the province, so a forest harvesting land base can be ensured which will allow the industry and communities to prosper into the future.

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3. Provide incentives such as training funding programs, which would support small businesses such as contractors and new entrants into the industry.
4. Develop a transition plan for communities that have been devastated by the Mountain Pine Beetle epidemic so they can maintain an economy while the forest surrounding their location re-establishes itself to a marketable age class.
5. Most importantly the Province must continue to work with First Nations on Land Claims and Rights and Title cases to try and increase certainty on the land base which is now view differently as a result of the Tsilhqot'in decision.

FUTURE OF THE FOREST INDUSTRY AND ITS IMPORTANCE TO BRITISH COLUMBIA'S ECONOMY (2016)

The forest industry continues to be an important contributor to the province's economy. In 2013, total economic output for the sector was \$31.4 billion. Total Gross Domestic Product (GDP) from the sector was \$12.4 billion of which \$5.8 billion was direct GDP.

Forest industry employment in 2013 was 145,800 British Columbians which is approximately 24% of direct manufacturing employment in British Columbia. In 2014, the sector generated 60,700 direct jobs. The forest industry in B.C. also consists of more than 7,000 businesses – 83% of these companies employ less than 20 employees. There are also approximately 250 primary and 1,525 secondary manufacturing facilities, the largest manufacturing sector in B.C. There are 4,737 forest management businesses; primarily small independent contractors and family-owned businesses.

The forest industry contributed approximately \$2.5 billion to federal (\$934 million), provincial (\$1.4 billion) and municipal (\$150 million) government revenues. Approximately 40% of B.C.'s regional economies are forest dependent – directly involved in harvesting and processing of forest products.

The B.C. government is to be commended for its new investment in a forest health program that will effectively rehabilitate mountain pine beetle stands (and have the additional benefit of mitigating community interface fire risks). This investment, as the owner of the resource, will provide for a multi-generational (80-100 years) fibre supply in the forest industry.

The B.C. government is also to be commended for implementing changes to dead pine pricing that more accurately reflects the economic value of the decaying resource. A reasonable stumpage rate for dead and decaying pine stands will improve utilization of the last remaining stands and extend the operability of existing Interior mills. By accelerating the conversion of these stands to healthy forests, the medium and long term harvest levels can be increased while managing the declining harvest levels in the short term.

The B.C. government is to be further commended for its efforts to develop and nurture an industry and market for non-saw log volume and residual fibre under new policies developed by the Forest Fibre Working Group. Continued monitoring of this policy is important to ensure that: a) it delivers on its intended outcomes, and b) there are no unintended outcomes. Policies that encourage alternative wood products, biomass for energy generation and supplying the pulp and paper industry, and any other policies that encourage alternative uses for timber that cannot be converted to lumber, are all policies that are in the best interests of the owner of the resource and the primary manufacturing industry.

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Challenges

- The forest industry continues to be challenged by the world-wide economic recession that reduced U.S. housing starts and resulted in lower lumber prices. Changing demographics indicate that the U.S. housing market has shifted away from traditional single to multi-family housing. Housing starts may never return to historic levels.
- Demand in offshore markets, such as China, has decreased substantially. The value of wood product exports to Mainland China was down 18% in 2015, most noticeably in log, lumber and value-added wood products. In the short run, at least, dependence has shifted back to the U.S. market.
- The harvest of dead pine timber is coming to an end since it has become increasingly uneconomic to harvest and manufacture it into lumber. Timber shortages are upon us while at the same time U.S. southern yellow pine timber is expected to increase. Non-saw log harvest and residual volume availability has increased in magnitude while utilization remains relatively low.
- The mountain pine beetle infestation temporarily increased annual allowable cuts in an effort to maximize the economic value in the dead and decaying forest stands. The economic effect when allowable cuts are reduced will be harvesting and sawmill capacity rationalization as the industry adjusts to new, lower forest inventories.
- The 2006 Softwood Lumber Agreement terminated in October, 2015. The forest industry is in a “stand-still” period where no new trade action can be initiated until October 2016.
- Recently a native pest to British Columbia forests, the spruce bark beetle has taken over 156,000 hectares of timber in the Omineca region of northern B.C. This is the largest outbreak since the 1980’s. No different than the mountain pine beetle infestation, the spruce beetles appear to be connected to warmer weather patterns. Unlike pine, the spruce tree has a longer life cycle to reach maturity and a much shorter shelf life than pine after it dies, which could further exacerbate this threat. As a start, the Chamber recognizes the Ministry of Forests, Lands and Natural Resource Operations recent commitment of \$1 million to address this issue.

Opportunities

- The Tsilhqot’in Decision of the Supreme Court of Canada that not only declared Aboriginal title, but further defined how Aboriginal rights and title will be decided, adds complexity and uncertainty to operations. However, even with increased costs, the opportunity exists for companies to develop and maintain strong relationships with First Nations to succeed through these investments. Also, by collaboratively working with First Nations, industry and governments have an opportunity to access timber at the same time as achieving economic equity.
- The B.C. forest industry is a world leader in sustainable forest management with more land certified to internationally-recognized sustainability standards than any other jurisdiction in the world. Its products are an attractive export product on the world market. With the combined uncertainty of the expiration of the current softwood lumber agreement and the introduction of

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the Trans Pacific Partnership, the continued development of future markets is extremely important and should form the backbone of a future forest economy.

- New 9 and 10 axel truck configurations and LEAN log handling procedures (on the Coast) will reduce delivered log costs. New wood products, such as cross-laminated timber, have increased the demand for lumber and, in turn, created possibilities for 6-plus story wood-framed buildings.
- B.C.'s forest industry is the largest bioenergy producer in North America. The use of wood residuals to generate energy minimizes wood waste and increases the economic yield from B.C.'s forests. This accounted for 65% of Canada's wood pellet capacity and production.

The B.C. forest industry is the economic backbone of many B.C. communities. A vital part of B.C.'s economy, it is increasingly more important in central and northern B.C. In 2014, the forest sector saw exports in commodity wood products reach \$12.4 billion which represents approximately 35% of the total of all exports in B.C. While this is an impressive number, the overall trend of exports has still not recovered to the levels of exports seen in 2005.

Therefore, to continue to create and nurture the conditions required for a modern and globally competitive forest industry,

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Secure access to an economically viable fibre supply and identify the timber supply that will be available given First Nations and stewardship allocations:
 - a. Commit to providing all remaining primary manufacturing facilities with the saw log volume required to maintain these facilities in the face of:
 - i. a declining annual allowable cut;
 - ii. decreasing provincial land base (mountain pine beetle, environmental and Aboriginal rights and title reserves); and
 - iii. expiring non-replaceable forest licenses. Primary manufacturing facilities rely on a significant volume of timber auctioned by BC Timber Sales (BCTS), and purchases from other sources such as community forests and First Nations tenures. Harvests from all of these sources must be maintained at their respective Annual Allowable Cut (AAC) apportionments. A vibrant secondary manufacturing sector in value-added wood products, the pulp and paper industry and the emerging bio-products industry depends upon a productive primary manufacturing industry to provide raw materials and residual fibre.
 - b. Early and aggressive action is required to control and contain the current and growing Spruce Beetle infestation to keep this infestation from turning into a similar situation as the mountain pine beetle outbreak.
 - c. New fibre opportunities should be provided without undermining the rights of existing tenure holders. Policies should promote new opportunities, uses and investments without creating new rights and avoiding overlapping tenure rights on the same land base. It is important to

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integrate “use-it-or-lose-it” contract provisions on these new tenures to ensure the additional tenure opportunities meet their purpose in providing a secure supply of fibre and fibre pricing to primary and secondary manufacturers.

- d. Land use: Commit to ensuring access to timber to the full level of land use plans. Communicate to industry what level of AAC will be available for harvest so that business can plan its operations, then support access to that timber supply. Timber supply projections are based on a land base that has not been curtailed by subsequent local decisions to place constraints on practicing forestry. Reviewing and revising local government staff decisions respecting access to fibre to fit with government targets for timber supply and revenues will significantly contribute towards ensuring an adequate timber supply. Ensuring there is a commercial forest land base for forestry purposes must become a priority at both the provincial and local government levels.
 - e. Sell BCTS apportionment volumes consistently: BCTS is an important supplier of timber to B.C.’s log markets and must continue to sell its apportionment over the business cycle to get the full forest profile into log markets.
2. Improve the integrity of the market-based timber pricing system (stumpage):
- a. BCTS must continue progress towards becoming a more reliable source of competitively priced fibre. BCTS auction wood is responsible for approximately 20% of the Crown timber in British Columbia, a significant supply for manufacturing facilities. The mandate of BCTS as a mechanism to get wood into the marketplace should not be entangled in government’s regulatory and policy roles.
 - b. Resist and refuse demands that the forest industry pay to manage other forest resource users and values unless there is a direct cost recognition in the timber pricing system. This could include residual fibre deliveries, First Nations consultation, and range management costs, among others.
 - c. Provide direct cost recognition in the timber pricing system for consultation with First Nations communities. The scope, level and cost of consultation has increased as First Nations communities increase their assertion of indigenous rights and title interests. Until agreement exists over indigenous strength of claim, and unless and until the Government of British Columbia effectively manages their obligation for consultation and accommodation, these costs will accrue to industry. Direct cost recognition will provide an important opportunity to improve industry competitiveness until the issue reaches an equilibrium and an appropriate cost variable can be determined.
3. Improve investment certainty:
- a. Use a competitive tax environment to encourage investment in, and transformation of, the B.C. forest industry: support policies and incentives for capital manufacturing investments that increase the use of innovation and process technology to modernize facilities. This also includes incentives for new market entrants, such as investment tax credits, employment incentives, support for new technologies and creating small business opportunities for facilities aimed at products made from non-saw log fibre and logging residue.

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- b. Increase the scope of the current Provincial Sales Tax (PST) to include investments in non-harvesting heavy machinery within the definition of Logging Activities, when these assets are used primarily in logging operations. This would streamline the PST act in regards to logging operations and increase investment in road building and earth moving machinery.
 - c. Encourage innovative secondary forest products industries through commercially based arrangements with primary producers. Where direct tenure opportunities are necessary, and they overlap existing tenures, ensure that forest management obligations and timber pricing arrangements are reasonably and equitably apportioned between the new and existing tenure holders. Overlapping tenures only make sense when they access fibre for different products.
 - d. Support policies and incentives to support safety and environmental upgrades required under the BC Sawmill Code of Practice and other legislation; and support clarity and efficient administrative processes regarding permit applications and reporting requirements.
 - e. Eliminate market barriers that will prevent an efficient re-alignment and/or consolidation of forest industry assets (match supply to demand and logistics from tree to market). Industry rationalization is inevitable as the forest industry adjusts to decreased timber supply resulting from the mountain pine beetle infestation. Allowable annual cuts will decline in the short to medium term. Industry requires flexibility to organize effectively.
 - f. Continue investment in important infrastructure programs: improve road, rail, bridge and port structures.
 - g. Promote and fund labour force and skill training applicable to the forest industry to an equal level with other resource based sectors.
4. Market Access:
- a. Continue investments in off-shore and U.S. market development activities by organizations such as Forest Innovation Investment, as well as policies such as the wood first program. These initiatives provide necessary market diversification and will only strengthen our global competitive position.
 - b. Continue working co-operatively with industry and the Government of Canada to address tariff and non-tariff barriers to the global export of B.C. forest products.
5. Continue to develop emerging forest sector markets internationally:
- a. Continue investments in off-shore and U.S. market development activities by organizations such as BC “WoodWorks!” programs and BC Forest Innovation Investment, as well as policies such as the wood first program. These developing markets are important bailiwicks in providing market diversification and opportunities when the U.S. market is challenged. Unfettered access to other markets for forest products will only strengthen our global competitive position.
 - b. Ensure other emerging markets for B.C. forest sector products are developed such as Malaysia and Vietnam.

FOREST, LANDS AND NATURAL RESOURCE OPERATIONS

PROTECTING OLD GROWTH RAINFOREST TO THE ECONOMIC BENEFIT OF TOURISM-BASED COMMUNITIES (2016)

Opening Statement

Old growth forests in many parts of the province are important for supporting tourism, recreation, scenery, wildlife, clean water, and wild fisheries, and enhancing nearby property values. Large numbers of tourists from around the world visit the province's old-growth forests every year. One of the grandest stands of old growth forest in the province is the 500 hectare Central Walbran Valley near Port Renfrew on southern Vancouver Island. Port Renfrew has recently been dubbed as the "Tall Trees Capital of Canada", and the tourism industry and numerous businesses in Port Renfrew and beyond stand to benefit if the Central Walbran Valley was protected by the Province as one of the world's finest old-growth forest showcases. In many areas of the province, the local economies stand to receive a greater net economic benefit over the foreseeable future by keeping their nearby old-growth forests standing.

Background

Old-growth forests have significant economic, social, and environmental value as tourism resources, wildlife habitat, carbon sinks, clean water sources for fisheries, and are important parts of many First Nations cultures. Old growth forests today enjoy a relatively high degree of protection; with the Great Bear Rainforest Agreement, approximately 55% of coastal old growth rainforest is now preserved (via parks, conservancies, protected areas, wildlife habitat areas, winter ranges, etc.). Demand by the tourism industry is high for many remaining old-growth stands.

Port Renfrew has been transformed in recent years into an old-growth forest tourism destination as thousands of visitors are coming from around the world to visit some of the world's largest trees and grandest groves in places like the Avatar Grove, Central Walbran Valley, Red Creek Fir, Big Lonely Doug, San Juan Spruce, and Harris Creek Spruce.

Visitor expenditures by tourists coming to visit old-growth forests near Port Renfrew also generate revenues in other B.C. communities, including Vancouver, Victoria, Sooke, Lake Cowichan, Duncan, Ladysmith, and Nanaimo. Many tourists fly, boat, or drive into B.C. from international destinations to see the old-growth forests. The appeal of the tall trees is attracting significant investment into Port Renfrew, including generating a boom in the real estate market as new residents and real estate investors focus their attention on the town with its surrounding natural beauty and enhanced tourism appeal.

Near Port Renfrew, on Crown land, the Walbran Valley is 13,000 hectares in extent, of which 5500 hectares lie within the Carmanah-Walbran Provincial Park and the other 7500 hectares lie outside the park. A 500-hectare area, known as the Central Walbran Ancient Forest, is the most intact and recreationally significant portion of the valley and lies outside the park. Thousands of people have visited the Walbran Valley for recreation. The valley lies on Crown land in the traditional territory of the Pacheedaht First Nation band and is currently within existing forestry plans. These plans include legislated Special Management Zones (SMZ). These areas further preserve flora and fauna of the forest ecosystem, including stands of high-value old growth stands.

The most heavily visited areas in the Walbran Valley lie outside of the park in the Central Walbran. This includes the Upper and Lower Castle Grove, Emerald Pool, Fletcher Falls, Summer Crossing, Bridge Camp, Tolkien Giant, Karst Giant, and much more. Significantly greater numbers of visitors can be expected to visit the region if the area is protected.

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Across British Columbia, many local communities economically would stand to receive a greater net benefit in revenues and jobs over the ensuing decades from the protection of key old-growth forests in their region.

Perhaps a most vital example of the economic value of protecting the old growth forest can be demonstrated in an anecdote from the Port Renfrew community.

Port Renfrew has for many years been known as the location on the south coast of Vancouver Island for excellent sport fishing. Fishermen come from all over North America to fish out of San Juan Bay and out to Swiftsure Banks. However, because of its exposure to the open ocean and limited marina facilities, fishing in Port Renfrew is seasonal and until recently the community was busy only from May long weekend until mid-September. October to April in Port Renfrew was quiet. The restaurants closed or kept limited hours and people moved away for the winter to find work and other opportunities.

In February of 2012, the Ancient Forest Alliance was successful in getting the B.C. government to protect an old growth forest only a few kilometers from Port Renfrew called Avatar Grove. The designation by the Province gathered much media attention and by summer, visitors were flooding to Port Renfrew to see the massive trees and to hike in the old growth forest. Since that summer, local accommodation providers in Port Renfrew have reported that demand for accommodations has increased 75% to 100% year over year. What is especially noteworthy is that the off-season activity has steadily increased when sport fishing charters are not operating or operating on a limited schedule. Thanks to the trees, Port Renfrew is no longer a one-industry tourism town and has been able to successfully brand itself the “Tall Tree Capital of Canada.”

In 2012, a kayaking company in Discovery Islands did an economic analysis. It calculated the economic value of 60 hectares of timber scheduled to be logged above and around the kayaking base camp across from the world-famous Robson Bight. It was determined that the value of the 60 hectares of timber was worth about \$3,600,000.00. Since the regeneration cycle meant the area could be cut only once every 60 years, the yearly economic value of the timber was \$60,000. The economic value to the kayaking company, however, was \$416,000 per year, or \$24,960,000 for the same 60-year period. In contrast to the approximately 300 person-days employment from logging the 60 hectares just once, the kayaking company provided 20,160 person-days of employment during the 60-year cycle. And this simple economic analysis didn't include the employment and earnings for the 40 other eco-tourism businesses using the same area.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Support the increased protection of old growth forests in areas of the province where they have or can likely have a greater net economic value for communities if they are left standing for the next generation and beyond; and
2. Protect endangered old-growth forests by enacting new regulations such as an Old-Growth Management Area, Wildlife Habitat Area, or Land Use Order, with the intent to eventually legislate permanent protection for areas through provincial park or conservancies.

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PROTECTION OF INDUSTRIAL LANDS FOR FUTURE PROSPERITY (2016)

Issue

With a growing population, and increasing housing demand in Metro Vancouver and other cities around the province, industrial lands have been significantly decreased through both absorption and rezoning over the last 30 years. Much of the land base is lost due to market pressure to convert industrial lands to other land uses, such as multi-family residential and commercial developments, in order to accommodate ever more population growth. The challenge is that low-cost, employment-generating industrial lands located near airports, rivers and roadways, that employ tens of thousands of workers, are being lost forever.

The last industrial land inventory, done in 2015, for the Metro Vancouver region showed there is just over 5,600 acres (2,261 ha) total available. Much of this land has severe constraints on development and will not be developed for the long term, if ever. At current growth projections and absorption rates, this translates into less than a 15-year supply of industrial land available in the region. There are only 1,000 acres available for large scale logistics, which is less than a 10-year supply. This is already contributing to a loss of jobs and revenue for the province. Calgary now accommodates numerous retailers who build large distribution centres there instead of Vancouver because they cannot find adequate land in the Lower Mainland. Outflow development to Calgary is estimated to be at least 50 acres a year and rising rapidly.

The Regional Growth Strategy established by Metro Vancouver in 2011 will make it harder for local municipal governments to rezone industrial lands, but it doesn't go far enough to ensure important parcels are never rezoned. It doesn't identify and generate new lands that have been rezoned and it still leaves decision-making in the hands of ever-changing municipal politicians.

Background

Industrial land use is an important issue across the province as populations continue to grow and there are competing demands on available lands. Vancouver's Lower Mainland is most at risk given its limited size, projected population growth and its strategic border/port location. Various municipalities in the region have rezoned more than 3,000 ha worth of industrial land to other uses in just the past 30 years.

Site Economics Ltd. completed a study in October 2015 that specifically examined the inventory of trade-enabling industrial land, going beyond previous studies that have explored the supply of all general industrial land in the region. Trade-enabling industrial lands are lands required to support goods movement in and out of the region, housing marine terminals and buildings such as distribution centres and warehouses. To facilitate efficient trade, these activities must be in close proximity to major roads and rail lines.

The study found:

- There are only roughly 1,000 acres of vacant trade-enabling industrial lands available in the region suitable for logistics and goods movement;
- Based on average annual absorption rates and anticipated demand, the supply of vacant trade-enabling industrial land in the region could be depleted within a decade;
- Roughly 1,500 to 3,000 more acres of trade-enabling industrial lands are required in the next five to 10 years to meet the demands of a growing Canadian economy;
- Trade and logistics businesses account for most of Metro Vancouver's industrial economy, and generate the demand for half of all industrial development in the region; and

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- The total direct and indirect economic impact of every 100 acres of logistics development is equal to approximately \$1.9 billion of economic value. The full, long term and ultimate value of industrial land is often not considered by municipalities when they readily rezone those lands.

An additional million people are expected to move into the Metro Vancouver region by 2040. To accommodate this growth, there needs to be a strong local economy, which will require readily available, high paying, employment-generating industrial lands. Lands zoned for industrial use typically generate jobs that pay double the average annual compensation rate per person.

Retaining industrial land is important for long term sustainability for local communities as it ensures high paying employment within the city core and contributes significantly to municipalities by subsidizing the residential tax base. For every \$1 in taxes, industrial lands typically receive on average \$0.25 in services.

Industrial land is vulnerable as it is often prime ground for commercial, retail, or residential developments because it is typically the cheapest land in any region, after agricultural land, and it is often on or near the waterfront or in growing suburban areas. Metro Vancouver relies on industrial as the office economy is small relative to any big city. It is less than half that of Seattle per capita or per worker and has minimal employment lands compared to any U.S. city.

The Metro Vancouver region saw a record breaking \$975-million in industrial investment in 2015¹ and it is estimated that growth and demand for industrial land for distribution centres, trans-shipment facilities, manufacturing and processing will continue to increase. Port volumes alone are expected to double by 2025 with the addition of Deltaport Terminal 2. We saw major investments in equipment and terminal upgrades in 2012, 2013 and more is anticipated for years to come, particularly on port lands such as Centerm. The business case for making such investments on industrial lands would be bolstered if there was certainty about the long term status of industrial land. It is important to note that without logistics oriented lands on which to expand the supply chain, the Port will become less competitive and it will harm the overall economy.

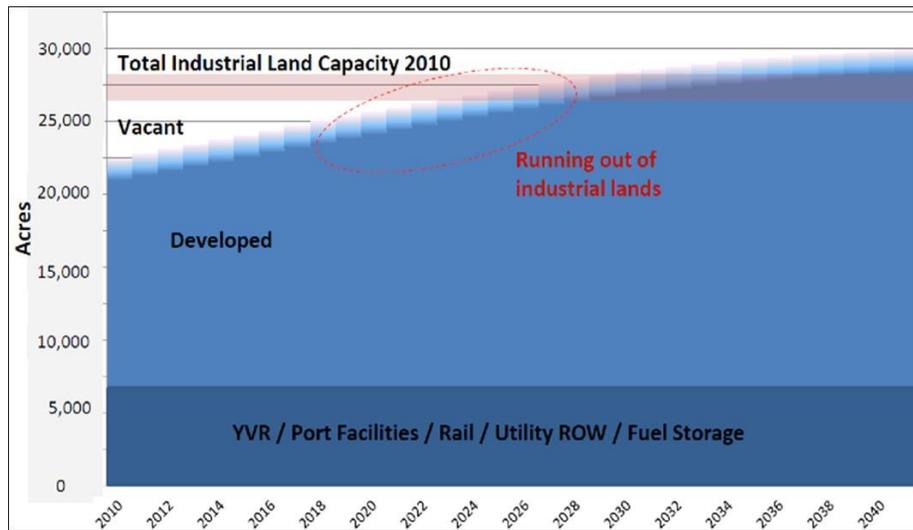
In the City of Vancouver, only 10% of their land area restricts residential development and yet those lands hold more than 50% of the jobs. Growth strategies for the Lower Mainland to create density around transit stations represents large scale rezoning of industrial land. This strategy is necessary to accommodate future populations and transit use and shows the need for flexibility in a land use strategy to ensure the right lands are in the right locations. However, there is no provincial strategy or mechanism to ensure the displaced industrial lands are being replaced elsewhere.

The Site Economics Report identifies the following threats to the industrial land supply in Metro Vancouver: Rezoning, Incompatible Development, Access – Lack of Rail, Road or Water.

The report also states; *There is very little well located industrial land left in the Metro Vancouver region, as all of the well-located industrial lands have been developed. The inventory of vacant industrial lands tends to be remote and not well suited for the transportation industry. At the current and projected rate of logistics land absorption there will be a significant negative impact from the land shortage before the year 2020 increasing in severity until buildout, perhaps by 2025.*

¹ Colliers International Research and Forecast Report Year End 2015

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SOURCE: Site Economics Report: The Industrial Land Market and Trade Growth in Metro Vancouver, October 2015. Pg. 64.

Industrial land along the Fraser River has been rapidly disappearing. Mills and traditional water access-dependent businesses have gone further up the river or have gone out of business altogether, turning employment-generating land into residential neighbourhoods. Recent examples include:

- a site in Queensborough was converted to a shopping centre and casino;
- the former Canadian White Pines mill site in southeast Vancouver will be a massive new residential neighbourhood;
- the former Fraser Mills site in Coquitlam is now also a residential development; and
- at one time there were thirteen plywood mills on the Fraser River and now there is only one.

Over 1,153 acres of recently purchased port industrial land in Port Moody is under consideration for a special study area under the RGS. Richmond has converted many acres of industrial land to residential/mixed use and have more land under consideration for special study areas within 88 metres of the rapid transit line and in areas which border the town centre (Cambie lands at Garden City and Alderbridge). Also, 230 acres of agricultural land in Richmond is now owned by Port of Vancouver and has been designated as a Special Study Area in the Port's recently completed Master Plan.

In 2011, Seaspan's Vancouver Shipyards in North Vancouver announced that it had won an \$8 billion federal shipbuilding contract. That contract will create over 5,000 direct, indirect and induced high paying jobs over the next 20-30 years. The infrastructure investment alone is at \$250 million and that infrastructure will create a world-class shipbuilding facility that can compete globally for future contracts.

They will produce almost \$500 million per year in GDP for B.C.'s economy and rebuild a local workforce and expertise in world-class shipbuilding. That opportunity may have been lost if Vancouver Shipyards would have given up on the shipbuilding business after it had been dormant for so many years.

The parcel of industrial land directly beside Seaspan sat empty for many years and was eventually rezoned and is today an auto mall and commercial/retail mix. The remaining waterfront is slated for a new condominium development. The area does generate employment opportunities and is a desirable

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residential/retail/commercial neighbourhood, but that strategic port side parcel will never generate the economic opportunity like that of its shipbuilding neighbour.

It should be noted, that without question, housing and commercial developments are necessary and have greatly improved many areas creating vibrant neighbourhoods and commercial areas that also create jobs. Many areas like Coal Harbour, False Creek and Richmond have been revitalized and this has made a great contribution to the liveability of these areas. However, without an economic land use strategy for the future, the province will be at risk of losing critical gateways to global markets and land parcels in viable locations needed for industry growth.

For industrial businesses involved in trade, transportation, warehousing storage, and logistics, proximity to highways, ports, rail yards and airports are of vital importance. The rail-port connection is of national importance to Canada's economy as commodity exports need to be serviced by ports connected to rail lines. Ports typically create a huge demand for storage and distribution centres around them to take marine containers off ships, re-sort and put goods into domestic containers before transporting them from the port inland by rail.

There are increasingly competitive global challenges for our B.C. resource and energy markets. If we can't deliver our products to global markets, we will be surpassed by the competition. Washington and Oregon view their ports as having strategic importance and offer a more competitive regulatory and tax advantage to shippers. B.C. municipalities often tax heavy and light industry property classes significantly higher than all other classes. This represents a significant competitive disadvantage to B.C.'s industrial business. The lack of available industrial lands compounds the disadvantage significantly.

Metro Vancouver, a corporate entity that delivers regional services on behalf of 24 local municipalities and authorities, is trying to protect industrial lands through a land-use plan called the Regional Growth Strategy (RGS) established in 2011. The plan requires that municipalities get approval from the Metro Vancouver Board before rezoning any industrial land.

There is concern that this process doesn't go far enough to protect critical industrial lands from being rezoned. About 2/3 of the region's remaining industrial land is designated as industrial in the RGS. The remaining 1/3 is included in the RGS's mixed employment lands designation, which also allows commercial development on included lands. That means that the industrial lands in that designation can be rezoned to commercial uses without seeking the endorsement of the Metro Board by way of an amendment to the RGS. Also, all of the lands designated as industrial or mixed employment can be amended to general urban through a minor amendment to the RGS. In fact, since the RGS was adopted in 2011, a further 148 acres of industrial land has been lost.²

Further, the RGS process does not identify and generate new industrial land to replace lands that have already been lost. Industrial densification is part of the solution and is starting to happen, but likely won't be enough to meet the projected future demand. Also, the RGS still places decision making in the hands of local politicians who may be under pressure to generate revenue for their municipalities by up-zoning from industrial uses.

² http://www.richmond.ca/_shared/assets/PMV_IndustrialLands_GP_07201541990.pdf

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So while it is better than nothing, the RGS is not a provincial solution that would give certainty that critical industrial parcels will be preserved well into the future and that would generate viable new industrial lands in the right locations.

Much as the provincial Agricultural Land Reserve has protected farmland since 1978, a similar mechanism is needed to protect industrial land. In fact, protecting industrial land would have the dual effect of protecting agricultural land, as it eases the pressure of agricultural land being converted.

Conclusion

Due to the uniquely severe land shortage, preservation of industrial lands cannot be accomplished at the local level. It will require provincial leadership. An economic strategy will need to be initiated by the province to prevent further depletion of critical industrial parcels and to ensure the replacement of lost industrial lands and a potential increase in the size of the industrial land base.

This is an important investment in the future of the province of British Columbia in order to ensure lands are preserved to accommodate growth without inducing further sprawl, and ensure a balanced, sustainable economy for ongoing local job security and prosperity for future generations.

Finally, the BC Jobs Plan outlines the following three pillars:

1. Working with employers and communities to enable job creation;
2. Strengthening our infrastructure to get our goods to market; and
3. Expanding markets for B.C. products and services, particularly in Asia.

Protecting B.C.'s critical trade-enabling and job creating industrial lands must be a top priority of the provincial government to support the BC Jobs Plan strategy. The Chamber acknowledges that some strategic work in this area has been started by the Province, but more attention is needed to:

- identify strategic trade-enabling industrial parcels that are proximate to transportation connections and global gateways that need preserving;
- assess current permitted uses of unusable lands and ensure the right lands are in the right locations;
- determine a process or mechanism to preserve and grow industrial lands while considering local OCPs and allowing for market flexibility; and
- identify ways to recover and increase key logistics oriented industrial land base by identifying under-utilized or contaminated lands currently reserved for rural uses.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Take immediate action to review the current inventory of industrial lands in the province;
2. Engage in a review of solutions with key stakeholders;
3. Continue to develop a comprehensive provincial land use strategy, perhaps as part of an overall economic strategy for the province; and
4. Enact a policy to establish clear provincial oversight and establish a forum for all relevant land use authorities to monitor implementation of newly created provincial policies and regulations.

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STRONG FOREST INDUSTRY EQUALS STRONG COMMUNITIES (2016)

The forest industry is one of B.C.'s most important economic sectors. Forestry is a key economic driver; B.C. communities depend on the forest industry and thousands of people are employed in the various sectors of the industry.

In 2013, the total GDP generated by the B.C. forest industry was \$12.4 billion with total employment estimated at 145,800 direct and indirect jobs.¹ Given the high number of mill closures, continued export of large numbers of unprocessed logs, rapid rises in Interior logging rates and declines in value-added manufacturing, the time has come for an expeditious review of forest policy in B.C. It is time to implement new policies that increase public benefits from one of our most important publicly-owned resources.

Community members, forestry workers & conservationists have found common ground in opposing log exports and supporting local, sustainable forestry practices. The B.C. government expedited log exports in 2003 by removing the local milling requirements (appurtenancy) that historically tied companies with logging rights on Crown lands to also provide B.C. milling jobs while failing to foster new mills and value added facilities in the communities supporting the forest industry.

Under the new rules established in 2003, under the Forestry Revitalization Act, companies merging were no longer subject to public review and comment, which meant there was no opportunity for communities, workers, municipalities or others to raise concerns about job impacts or community sustainability. These mergers and acquisitions along with the removal of appurtenancy resulted in the significant consolidation of forest tenure into the hands of fewer companies. This tenure situation and the development of super mills has stifled the ability of smaller companies to compete and effectively tied up the Province's forestry resources. In addition, the law requiring ministerial approval for most tenure transfers was revoked. The fundamental problem of the Forestry Revitalization Act has been the disconnection of the forest resource from the communities.

With the expansion of super mills, we have seen the point of appraisal moved from communities where mills have closed causing an un-level playing field in stumpage costs with the value added and small community mill paying significantly higher rates per cubic meter for Crown timber. If the market is skewed in favour of a disproportionately small number of companies, there is justification in suggesting that the playing field could be made more level by granting new forest tenures to smaller players, particularly those who are engaged in value-added production. There is room within the present system to do so given the greatly expanded BC Timber Sales program. "Rather than putting all its timber up for auction, a portion of the wood now held by BC Timber Sales could go, instead, into longer term and likely non-replaceable licences that would at the very least give value-added producers some assurance of supply over several years."² BC Timber Sales sells to the highest bidder anywhere in the province.

Under the 2003 Forestry Revitalization Act, a 20% tenure take back occurred with the intent for these resources to transfer to BC Timber Sales, First Nations & Community Forests. This tenure reallocation rather than encouraging an open market effectively produced a monopoly situation as smaller producers could not compete with major corporations. Expansion of Community Forests would essentially be a publicly acceptable means to providing an area based allocation controlled by communities and First

¹ http://www.cofi.org/wp-content/uploads/2015/01/bc_industry_impact_01-2015.pdf

² http://www.policyalternatives.ca/sites/default/files/uploads/publications/BC_Office_Pubs/bc_2005/public_forests.pdf

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Nations. Local processing, value added, diversification, intensive forest management could all be managed and prioritized as locally driven decisions. Community Forests should be large enough to be divided for specific needs, diversity and forest management objectives, “at arm’s length” from direct provincial controls and restrictions.

A number of questions are raised by the changes to appurtenancy requirements. Should companies holding forest tenures be allowed to simply walk away from the facilities they operate in communities without losing some or all of those tenures? What is an acceptable level of investment in the communities and forest districts where tenures are held? Given the high number of mill closures, the continued export of unprocessed logs (whether out of country or out of community) and declines in value-added manufacturing, a review of forest policy in British Columbia is justified.

Small and medium sized business is the economic driver of the B.C. & Canadian economy. When public/Crown resources such as forest tenures are being held by a disproportionately small group of major companies, there is an inherent responsibility for the government to ensure communities are supported and partner in the economic benefits generated from a strong, competitive, sustainable forest industry, which in turn results in more provincial revenue. Strong local forestry equals strong communities equals strong businesses, which equals a strong local and provincial economy. They are inextricably linked.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Consult with First Nations and provide municipalities with input into forest tenures in their regions;
 - a. Use the 20% tenure take back to promote and expand Community Forests and First Nation Wood Land licences;
2. Review forest tenures in areas where mills have been closed and rescind those tenures where appropriate;
3. Encourage value added forestry investment in communities; and
4. Review the consequences of the removal of appurtenancy requirements.

THE NEED FOR A RENEWED SOFTWOOD LUMBER AGREEMENT (2016)

The forest industry is one of B.C.’s largest sectors that export into the United States and around the world. In 2013, B.C. forest industry revenue was \$15.7 billion. Of this revenue, approximately 62 percent was generated in the interior region and 38 percent from the coast region making this an extremely important component of the B.C. economy. Indeed, many B.C. communities rely heavily on the forest industry. The economic impact of the forest industry is also felt throughout B.C. where more than 145,000 people are employed in the forest sector.

Back in 2002, the U.S. imposed countervailing (CVD) and anti-dumping (ADD) duties on imported Canadian softwood lumber based on a belief that Canadian, in particular B.C.’s, forestry industry received illegal government subsidies.

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Between 2002 and the initial Softwood Lumber Agreement in 2006, the U.S. collected duties of over \$4 billion dollars. The SLA of 2006 saw eighty-one percent of the \$5 billion in ADD/CVD tariffs refunded to the Importers' of Record, with nineteen percent withheld from Canadian Importers of Record by the U.S. government.

Canada has successfully appealed these allegations at the World Trade Organization and through the North American Free Trade Agreement, but greater certainty was and is needed.

The 2006 Softwood Lumber Agreement, which was extended in 2012, provided immediate relief on countervailing tariffs and returned 80 percent of the \$5 billion to B.C. and other Canadian lumber producers. Though the SLA allowed for an export tax based on the market price per million board feet (mbf), the recently expired SLA allowed did provide that greater certainty for the B.C. lumber producers.

B.C. forest companies knew the cost of doing business in the U.S. ranged from a 15% tax when prices were below US\$315 per mbf to no tax at prices over US\$355 per mbf,

Over the next 4 years, forest prices are expecting to climb from the current price of around US\$315 per mbf to a high of close to US\$500 per mbf. Based on the recently expired SLA, B.C. forest companies could expect to pay no export tax as of January 2018 if current projections hold steady.

As of right now, the export tax has expired with the agreement and there is a one-year freeze on any new countervailing and anti-dumping duties being applied. Effectively, the status quo between Canada and U.S. is in place with respect to softwood lumber until the 1-year freeze is lifted.

Given the political nature, and the strong lobbyist efforts in past, it is unlikely that the U.S. Department of Commerce won't reinstate duties. For that reason, it is imperative that the federal government continue negotiations with the U.S. government to achieve a similar agreement as to the 2006 SLA.

THE CHAMBER RECOMMENDS

That the Federal Government negotiates and ratify a new Softwood Lumber Agreement with the United States using the recently expired agreement as the guideline to the final agreement.

ECONOMIC BENEFITS OF UNIVERSAL PHARMACARE FOR BUSINESSES (2016)

Drug coverage in Canada is provided through an incomplete patchwork of private and public programs that varies across provinces. This fragmented system reduces access to medicines, diminishes drug purchasing power, duplicates administrative costs, and isolates pharmaceutical management from the management of medical and hospital care. It is needlessly costing Canadian businesses billions of dollars every year.

Inefficiencies of fragmented coverage

The fragmented nature of drug coverage in Canada costs businesses, taxpayers, and patients billions of dollars every year. First, lack of coverage means that many Canadians cannot afford to fill necessary prescriptions.

A 2015 Angus Reid Institute poll found 29% of British Columbia households reported they did not take medicines as directed because of cost.¹ This occurs because British Columbia's PharmaCare system provides benefits after patients have spent hundreds or thousands of dollars on medicines. This costs everyone because it results in worse health for patients and increased use of tax-financed medical and hospital care.

Fragmentation also means higher drug costs. Overall, Canadians spend 40% more on pharmaceuticals than the average of 14 comparable countries that offer universal, comprehensive drug coverage, including the United Kingdom, Germany, France, Australia, Sweden, and New Zealand. Thus, Canada is spending \$10-billion per year more than it would if it had a universal drug plan like those found in many comparable countries.

Heavy burden on business

The burden of Canada's incomplete and inefficient system of public drug coverage falls heavily on businesses, especially the small and medium-sized enterprises that comprise the backbone of Canada's economy. With rising costs of medications, many businesses are seeing their bottom lines erode and some find they simply cannot afford to provide insurance plans for their employees.

Small businesses are least likely to offer drug coverage and few entrepreneurs and independent contractors are covered by any drug benefit plan. This harms the efficiency of our economy because many Canadians are forced to choose where to work, based on access to insurance rather than aptitude and passion.

Money spent on private drug plans is not being spent well. Private sector analysts estimate that up to \$5 billion spent by Canadian employers on private drug benefits is wasted because private drug plans are not well positioned to manage drug pricing or the prescribing and dispensing decisions of health professionals.²

Dangers of a mandatory insurance system

As provincial health ministers hold discussions with their Federal counterpart, businesses are concerned about any additional costs to their employees, their insurance plans, and their bottom line. The biggest concern is that governments are considering making private drug coverage mandatory, as was done in

¹ 2015 Angus Reid. Prescription drug access and affordability an issue for nearly a quarter of all Canadian households. <http://angusreid.org/prescription-drugs-canada/>

² 2014 Drug Trend Report. Express Scripts Canada. 2015. <http://www.express-scripts.ca/research/drug-trend-reports>

Quebec in 1997.

The Quebec policy requires that all eligible employees be enrolled in a private drug plan. Rather than increase efficiencies, the policy further fragmented the system and generated the highest per capita costs in Canada.³

For 22 years prior to mandatory private drug insurance in Quebec, per capita spending on prescription drugs was approximately equal in Quebec and the rest of Canada. In the 19 years since their policy change, costs in Quebec have far outgrown the rest of Canada. Private employers and households in Quebec now spend \$200 per capita more on pharmaceuticals than employers and households in the rests of Canada.

In British Columbia, a Quebec-style system would cost employers and households an additional \$920 million annually if costs rose here as they did in Quebec.

Economies of a single-payer system

There is a better option. A universal, comprehensive public drug plan that was consistent throughout B.C. and across Canada would be a wise investment for B.C.'s economic prosperity. Research has shown that such a plan would reduce employer-sponsored drug costs in Canada by up to \$10.2 billion per year – a \$570 million annual savings for businesses in British Columbia alone.⁴ This would boost Canada's labour market competitiveness.

A universal pharmaceutical program would be economically viable not only by taking advantage of the power of a single purchaser, but through the following:

- Reduction of administration costs for businesses and unions;
- Elimination of the need for tax subsidies to encourage employer funded benefit packages;
- Decreased direct emergency and acute care medical costs due to inappropriate or underuse of drug therapies; and
- Reduction of other health service costs.

Because of these increased efficiencies, a universal pharmacare program would increase government costs by only \$3.4 billion, \$2.4 billion of which could be financed by the reduced cost of private drug benefits for public sector employees. The 2015 Angus Reid Institute poll found that most taxpayers would support such a program, even if it required modest increase in taxes.⁵

Moving forward

As British Columbia joins health ministers across the country to discuss how best to control the costs of pharmaceuticals through bulk purchasing agreements and other strategies, caution is advised when choosing a program of delivery. It is tempting, and usually preferable to choose private suppliers over a provincially run program; however, in terms of cost effectiveness, the best strategy is one where pharmaceuticals are added to the universal health coverage of our Medicare system.

THE CHAMBER RECOMMENDS

3 2015, Mar-Andre Gagnon. Quebec-Style Pharmacare Program Won't Work for the Rest of Canada.

4 Morgan, SG, et al. Estimated cost of universal public coverage of prescription drugs in Canada. *Canadian Medical Association Journal* 2015. DOI:10.1503/cmaj.141564. Draft.

5 2015 Angus Reid. Prescription drug access and affordability an issue for nearly a quarter of all Canadian households. <http://angusreid.org/prescription-drugs-canada/>

That the Provincial Government and the Federal Government:

1. Work to develop a universal pharmaceutical program that will engender cost savings through bulk purchasing agreements and other cost-sharing strategies; and
2. Avoid off-loading costs of providing pharmaceutical coverage onto businesses through private insurance schemes per the Quebec model.

IMPROVING PRIMARY CARE AND SAVING HEALTHCARE DOLLARS WITH PHYSICIAN EXTENDERS (2016)

There is clear evidence that availability of primary care has significant implications for British Columbia's economy both in terms of overall population health and the impact of employee productivity and absences on business. Though our government has made expanding availability of primary care a key priority, British Columbia still suffers from a lack of primary care. In other jurisdictions, the shortage of primary care has been addressed successfully with the introduction of physician extenders. The British Columbia government should embrace the physician extender model so that our economy may reap the benefits of primary care and create new efficiencies in our healthcare system.

Background

At a macro level, research indicates that health (measured in terms of life expectancy) is positively correlated with economic growth (measured in terms of GDP growth rate)¹. Statistics also show that two key drivers of employee absences²—absence due to illness and caregiving for family members³—are health related.

The costs of illness related impacts on business are immense, as demonstrated by just a few recent statistics:

- According to the Conference Board of Canada, private sector organizations estimated their direct cost of employee absences to be 2.3 percent of gross annual payroll;⁴
- A Statistics Canada report found that in 2011, total work time missed due to illness or disability was 3.1% of the average work week, which translates to 7.7 days per year;⁵ and
- The 2012 General Social Survey reported that 1.6 million employee caregivers took leave from work; nearly 600,000 reduced their work hours; 160,000 turned down paid employment; and 390,000 had quit their jobs to provide care.⁶

Against this backdrop, it is crucial to recognize the role of primary care in improving health outcomes and

1 D. E. Bloom, D. Canning, and J. Sevilla, "The Effect of Health on Economic Growth: A Production Function Approach," *World Development* 32, no. 1 (2004): 1-13.

2 Employee absences cost the British Columbia economy more than a billion of dollars annually. Stewart, Nicole, "Missing in Action: Absenteeism Trends in Canadian Organizations," The Conference Board of Canada, September 2013, <http://www.conferenceboard.ca/e-library/abstract.aspx?did=5780>

3 Dabboussy, Maria and Sharanjit Uppal, "Work absences in 2011," Statistics Canada, April 20 2012, <http://www.statcan.gc.ca/pub/75-001-x/2012002/article/11650-eng.pdf>.

4 Stewart, Nicole, "Missing in Action: Absenteeism Trends in Canadian Organizations," The Conference Board of Canada, September 2013, <http://www.conferenceboard.ca/e-library/abstract.aspx?did=5780>

5 Dabboussy, Maria and Sharanjit Uppal, "Work absences in 2011," Statistics Canada, April 20 2012, <http://www.statcan.gc.ca/pub/75-001-x/2012002/article/11650-eng.pdf>.

6 Sinha, M. (2012). "Portrait of Caregivers, 2012." General Social Survey, Statistics Canada. <http://www.statcan.gc.ca/pub/89-652-x/89-652-x2013001-eng.htm>

reducing the impact of employee illness on business:

- It has long been accepted and confirmed that availability of primary care is strongly linked to better health outcomes.⁷⁸ In addition, a larger supply of primary care physicians is associated with lower costs of health services⁹¹⁰¹¹, and higher quality¹². Simply stated, a healthier population means fewer employees who must miss work because they are sick or must provide care to a sick family member or friend; and
- When employee illness occurs, primary care is in most cases dramatically more efficient than the alternative, a visit to the emergency room. Whereas physician office visits can be booked in advance to minimize work interruption, the emergency room waiting times in British Columbia are now routinely measured in terms of hours.

It is now common knowledge that primary care is in short supply in British Columbia. In the central Okanagan alone, it has been estimated that as many as 40,000 people do not have access to a family doctor. Other regions in the province experience the same issue, including Vancouver and various smaller B.C. communities.

The implications of the British Columbia's primary care shortage for business are not hard to grasp. Less primary care means lower productivity.

In February 2013, a joint initiative by the B.C. government and the BC Medical Association was launched to address growing concerns about lack of primary care. The initiative, aptly named "*A General Practitioner (GP) for Me*", had as its ultimate objective securing a General Practitioner (the principal purveyor of primary care) for everyone who wants one by 2015.

Though *A GP for Me* has made progress, this progress has been incremental only, the shortage of primary care remains. Additional strategies to complement those used in *A GP for Me* are required to address this issue, not only just for the immediate future but for many more years to come.

Solution: Recognition of the "Physician Extender" in the Medical Services Plan billing scheme

A physician extender is a trained assistant who can perform several tasks that a family doctor normally performs. The physician extenders are able to relieve doctors of the many less complicated cases, which frees the physicians to handle more patients in general. Crucially, the medical-legal responsibility for the physician extender rests with a supervising physician, which ensures that physician extenders are assigned cases that are within their scope of practice. Accordingly, under the physician extender model, a physician retains primary responsibility for patient care, which distinguishes the use of physician extenders from other non-physician affiliated primary care models (e.g., independent nurse practitioners).

The United States pioneered the use of physician extenders (often referred to as physician assistants) in

7 Starfield B, Shi L, Macinko J. *Contribution of Primary Care to Health Systems and Health*. The Milbank Quarterly. 2005;83(3):457-502.

doi:10.1111/j.1468-0009.2005.00409. x.

8 Pierard, E. (2009). The effect of physician supply on health status as measured in the NPHS. Retrieved February 25, 2012 from <http://www.rdc-cdr.ca/effect-physician-supply-health-statusmeasured-nphs>.

9 Hollander, M.J., Kadlec, H., Hamdi, R. & Tessaro, A. (2009). Increasing value for money in the Canadian healthcare system: new findings on the contribution of primary care services. *Healthcare Quarterly*, 12(4), 32-44

10 Mark, D.H., Gottlieb, M.S., Zellner, B.B., Chetty, V.K. & Midtling, J.E. (1996). Medicare costs in urban areas and the supply of primary care physicians. *Journal of Family Practice*, 43, 33-9.

11 Baicker, K. & Chandra, A. (2004). Medicare spending, the physician workforce, and beneficiaries' quality of care. *Health Affairs*, (Suppl. web exclusive), W4-184-197).

12 Baicker, K. & Chandra, A. (2004). Medicare spending, the physician workforce, and beneficiaries' quality of care. *Health Affairs*, (Suppl. web exclusive), W4-184-197).

the 1960s. Their use of physician extenders has led to dramatic improvements in efficiency and they are widely accepted part of the primary care system in the United States.¹³

In Canada, physician assistants were first introduced in the Canadian Forces to address a shortage of military physicians, and remain an integral part of our armed forces healthcare system. As well, other provinces in Canada, including Ontario, Manitoba, Alberta and New Brunswick have trialed and made provision for the use of physician extenders. Though results are early, indications are that physician assistants can improve health efficiencies in the Canadian health care setting.¹⁴

In British Columbia, there is an ample supply of professionals (such as nurse practitioners) with training and skills that are equivalent or superior to those who act as physician extenders in the United States and other Canadian jurisdictions. However, despite the availability of skilled workers who can fill these roles, the physician extender model is not used at all in British Columbia.

The reason for this is that in British Columbia, use of physician extenders is, for practical purposes, inhibited by limitations imposed by the “Guide to Fees”, which governs what services physicians may bill to the British Columbia Medical Services Plan. More specifically, the section on “Delegated Procedures”, section c. 20, on page 1-19 specifically provides that “visit” type services as examinations, assessments and consultations. Simply put, there is no practical way for physicians in British Columbia to financially integrate a physician extender into their practice.

The solution to this is simply to permit British Columbia doctors to use their Medical Service Plan billing numbers to bill for services provided by physician extenders. The advantages of this solution include the following:

- Linking the physician extender billings to a supervising physician provides an unambiguous indication of the physician’s professional and legal responsibility for the physician extender’s practice;
- Services provided by a physician extender can be billable at a lower rate than equivalent services performed by a physician, which creates the potential for efficiencies and greater return on healthcare dollars;
- Enabling physicians to profit from physician extenders provides a financial incentive for enterprising medical school graduates to choose family practice over the traditionally more lucrative specialty practices, which will ultimately increase the supply of family physicians in British Columbia; and
- A recent study has shown that physicians are motivated to hire physician assistants to help deal with long wait times and long hours, which suggests that the physician extender model may help ease the burdens on British Columbia’s primary care physicians.¹⁵

THE CHAMBER RECOMMENDS

That the Provincial Government:

13 See B. Hague, *The Utilization of Physician Assistants in Canada, An Environmental Scan*, Health Canada, April 2005. Available online: https://capa-acam.ca/wp-content/uploads/2012/06/2005_The-Utilization-of-PA-in-Canada-An-Environmental-Scan.pdf

14 Decloe, McCready, Downey, Powis, *Improving health care efficiency through the integration of a physician assistant into an infectious diseases consult service at a large urban community hospital*. Can J Infect Dis Med Microbiol. 2015 May-Jun;26(3):130-2. Available online: <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC26236353/>

15 M. Taylor, W. Taylor, K. Burrows, J. Cunningham, A. Lombardi, and M. Liou, *Qualitative study of employment of physician assistants by physicians: benefits and barriers in the Ontario health care system*, Can Fam Physician. 2013 Nov;59(11): e507-13. Available online: <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC24235209/>

1. Integrate the role of “physician extenders” as an additional solution to the primary care shortage in British Columbia;
2. Provide British Columbia’s family physicians with the ability and incentives to financially integrate physician extenders into their practices; and
3. Support necessary training and regulation of physician extenders to ensure that British Columbians received the best quality, most cost-efficient care.

IMPROVING COMMUNITY MENTAL HEALTH AND ADDICTION SERVICES (2014)

Rationale

Mental illness and addiction affect 1 in 5 people across Canada¹. As an issue that is so pervasive, it can be deduced that mental illness and addiction have a decisive impact on business and the economy. These costs present themselves in the form of absenteeism, lost productivity, policing costs and government spending, a result of the struggle seen by community mental health and addictions services to meet the needs of those affected. As it is currently structured, the community mental health and addictions system in British Columbia is under extreme stress from a lack of tertiary care beds, duplication of services, and a lack of community infrastructure that can meet the demands of service.

Costs of mental illness and addiction

There is a direct financial cost to mental illness and addictions as well. The provincial government estimates that BC loses \$6.6 billion annually in lost productivity due to mental illness and addiction. The productivity lost due to alcoholism alone is estimated to be \$1.1 billion.²

Since the move from deinstitutionalization in the late 1970s, there has been insufficient infrastructure (physical and systematic) to meet the needs of people suffering from mental illness or addiction. As a result, employees who either suffer from mental illness and addiction, or have family members or friends that suffer from mental illness and addiction, are unable to work to their full capacity. A lack of sufficient spots in community service programs results in individuals sacrificing time and workdays to take care of family members who are on waitlists to receive care. In 2008/09, there were 75,838 inpatient days for mental health and addictions patients who no longer required hospital care, but were waiting for appropriate community services.³

Issues like occupational stress, hazardous alcohol consumption, and depression have all been listed as causes for increased absenteeism, employee turnover and workers compensation costs.⁴ In addition, 70 percent of depressed individuals experience “significant disruption” in their careers as a result of their mental health.⁵ The largest cause of lost workdays, according to the 2010 provincial government mental health and addictions plan, is mental illness.

Mental illness and addictions also directly affect municipal business tax rates. When community mental health and addictions services are unable to meet demand, service users are left waiting and police are left

1 Healthy Minds, Healthy People: A ten-year plan to address mental health and substance use in British Columbia, Ministry of Health

2 Healthy Minds, Healthy People

3 Ministry of Health

4 Healthy Minds, Healthy People

5 Healthy Minds, Healthy People

to perform frontline work for which they have not had proper training. In addition, policing costs rise as the justice system responds to an increasing amount of incidences related to or caused by mental health and addictions issues. The Canadian Centre on Substance Abuse estimates the direct law enforcement cost of substance use alone is \$6.7 billion across the country.⁶ As policing costs increase, the cost is passed on to businesses through municipal taxes. If mental illness and addictions services in B.C. increased their capacity to care for those affected by mental illness and addictions, this would decrease the number of policing calls related to mental illness and addictions, resulting in a decreased tax burden for businesses across the province.

Solution

In order to build the capacity of mental health and addictions services in B.C., the government needs to invest in building infrastructure for these services or seek private investment in infrastructure. Building community support centers and non-hospital-based tertiary care facilities will increase the capacity for current support programs as well as create well-paid construction jobs. Developing research facilities that can constantly evaluate and determine best practices ensure that tax dollars being spent on community mental health and addictions services are being spent in the most efficient way possible. This will reduce long-term costs associated with mental illness and addictions in addition to providing new well-paid employment opportunities.

In addition to physical infrastructure, the provincial government needs to evaluate the current service delivery model. B.C. currently has the highest per capita spending on mental health and addictions in Canada at \$230 per capita and yet the service demand is still not met.⁷ Implementing a process to analyze and maximize the efficiency of mental health spending can reduce long-term community mental health and addictions costs, as well as reduce the cost of law enforcement. A major problem in service delivery is the duplication of service between public and non-profit agencies. While the 2010 mental health and addictions plan put forward by the Ministry of Health calls for increased collaboration between the public and private sectors with communities, there is still a need for increased communication and efficient consolidation of service delivery.

An example of these solutions could be implemented is on the Riverview lands in Coquitlam. With nearly 250 acres, the Riverview lands have ample space for development into a centre for community mental health and addictions treatment. One of the current buildings and some of the lands could be sold to a private addictions clinic, which would release some of the service delivery burden on Fraser Health Authority. In addition, part of the grounds could be sold to a post-secondary institution for a best-practices research facility that could help facilitate collaboration between sectors and advise on consolidation of service. Other buildings in Riverview are already designed to support tertiary beds but remain unused. Renovating and bringing these vacant facilities back into use, perhaps in conjunction with the post-secondary research facility, could contribute to solving the lack of tertiary care in the system through the assistance of private investment. This example shows how private infrastructure and investment could be utilized to increase the capacity of community mental health and addictions services.

THE CHAMBER RECOMMENDS

That the Provincial Government:

⁶ <http://www.heretohelp.bc.ca/factsheet/economic-costs-of-mental-disorders-and-harmful-substance-use>

⁷ <http://www.heretohelp.bc.ca/factsheet/economic-costs-of-mental-disorders-and-harmful-substance-use>

1. Explore partnerships with private investment to create mental health and addictions service facilities and other infrastructure to increase the capacity of community mental health and addictions services;
2. Commit to developing further physical and systematic infrastructure designed support mental health and addictions services and increase collaboration between private and community organizations in order to increase capacity of community mental health and addictions services; and
3. Evaluate and adjust the current structure of the delivery of community mental health and addictions services across the public, private and non-profit sectors in order to maximize efficiency of delivery and implement best practices.

PHYSICIAN COMPENSATION POLICY (2014)

Background Information

The recruitment and retention of doctors in rural practices is a critical issue to the sustainability of communities. British Columbia's north is leading the way on energy development and production. B.C.'s strong, prosperous and competitive economy requires stable and sustainable northern communities. And those communities require health care.

Rural communities face significant challenges recruiting doctors. A general practitioner working in the north has to be a resilient, flexible generalist. Rural practice requires that doctors contribute to the operation of the local hospital by providing services such as anesthetic, obstetrics, OR and emergency room coverage and hospital, palliative and extended care coverage.

The same doctor has a list of assigned patients and is expected to have a private practice and regular office hours. The practice requires a building and administrative staff. Whether the physician decides to be an independent or join a collaborative practice there are significant costs and overheads. When these components are combined a doctor who is looking a rural practice sees high volume, high expectation and a long term commitment to a business or partnership.

Recruiting and retention of doctors is critical and northern communities are investigating many and varied methods of sweetening the pot. There are significant pitfalls to this strategy including the "race to the bottom" scenario of community based financial incentives.

Rural recruitment barriers are significant and include:

- The responsibility for recruiting residing at the Physician level:
It is often the remaining partners in a practice who, at their own expense, attend the tradeshow, post the ads and promote the community to potential recruits; very often without the knowledge or support of the Health Authority or Local Government.
- The Physician Master Agreement and Alternative Payment Subsidy Agreement payment rules:
The PMA and APSA require that a one size fits all payment plan be applied to all doctors working in a community. For newer doctors a public office and a salary may be highly preferable to a 'fee for service business overhead' model.
- Compensation rates for Residents:
While B.C. offers competitive compensation for doctors, our compensation model for residents is not as attractive.

- The transition from Residency into practice:
Resident compensation, the payment plan and the requirement to “buy the business” are considerable obstacles for resident’s who are looking for work life balance and quality of life.
The required degree of competency and flexibility in Rural Practice:
The requirement to have to be highly competent in multiple areas can be a barrier to new doctors and an unwanted responsibility to doctors whose career could be considered “mature”.
- The cost of living in “rural” communities:
- While quality of life in rural communities is desirable the cost of living in those communities can be a challenge particularly if the pressure of significant development and major projects is impacting the availability and cost of housing.
- Access to transition housing:
Many communities and health authorities have made arrangements to provide subsidized transition housing for doctors and their families. Short term population peaks resulting from the construction cycle of major projects will require health authorities to provide access to affordable, appropriate housing for resident’s and locums.

The Physician Master Agreement and Alternative Payment Subsidiary Agreement

The Physician Master Agreement and the Alternative Payment Subsidiary Agreement are between the province, the BC Medical Association and the Medical Services Commission.

Under these agreements a community must choose the type of payment all doctors in that community will receive. The flexibility to make this choice individually and to amend the choice as a career matures would serve to make rural practice less risky and arduous.

Payment model choice combined with publically held clinic space mitigates the requirement to operate an office as a business thereby removing the stress of being a doctor and a business owner and manager.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Amend the Physicians Master Agreement and Alternative Payment Subsidiary Agreement to allow Doctors to individually choose the method of payment that they will receive for their work; and that that choice be subject to a renewal term to allow for terms of payment to be amended in accordance with the individuals professional and personal aspirations; and
2. Provide support to local governments and health authorities to provide publically owned and operated clinic space for doctors in rural communities.

JOBS, TOURISM AND SKILLS TRAINING

SUPPORTING B.C.'S LAND-BASED WINERIES, CIDERIES AND DISTILLERIES (2016)

Agri-tourism offers farmers tremendous opportunity to add value to their operations, enhance local economies and educate visitors. Wine-based¹ agri-tourism supports a visitor economy in B.C.'s wine growing regions. Wineries are a catalyst for tourism in many regions. A 2011 report on the economic impact of the wine and grape industry in Canada estimated that there were 800,000 wine-related tourists who have a total impact of wine-related tourism of \$476,428,000 in British Columbia.² Estimates suggest that for every bottle of wine produced in the province, there is \$42 of economic impact generated³. A 2008 report estimated that the Liquor Distribution Branch (LDB) generates *over \$800 million annually which goes into general revenue* of BC government revenues⁴ (see Appendix A). Farm-based wineries attract visitors to the region from all around the world to sample the wine, taste local foods, see local sites and stay in local accommodations. A strong, well-known cluster of wine producers entices visitors and attracts export dollars into their communities and regions and contributes to B.C.'s more than \$13 billion tourism economy.⁵ A healthy tourism and hospitality industry contributes provincial and local taxes, creates jobs, enhances civic pride and provides visitors and residents with leisure activities.

The tourism sector is fiercely competitive; tourists have many global destinations to choose from. The success of a wine-based agri-tourism sector depends on farmers growing the finest quality grapes, wineries practicing advanced, high quality wine-making processes plus providing unique, memorable and remarkable visitor experiences. B.C.'s wine growing regions need government to support the success of B.C.'s wine-based agri-tourism sector while minimizing the hurdles and obstacles they face.

One such obstacle is the high property tax classification for land-based⁶ wineries. B.C.'s Liquor Control and Licensing Branch categorizes all wineries in B.C. as either 'Land-Based' (LB) or 'Commercial' wineries. LB wineries must: produce wine made from 100% B.C. grown grapes; have at least 2 acres of vineyards at the licensed winery site and use those to produce wine; make wine with at least 25% of the grapes coming from land owned or leased by the LB winery; not use wine or juice from Commercial wineries; use 'traditional' wine-making techniques; and be independent wineries (i.e., no common ownership with a Commercial winery).

Grape growers producing wine on their property face much higher property tax rates (almost six times) than other types of agriculture producers (e.g., dairy, fruit, fish). This is because the BC Assessment Authority classifies wineries/cideries as 'Light Industry' (Class 5) rather than a 'Farm' (Class 9). (See BCAA Property Classes info and Appendix B – Taxation Rates). However, a review of BC's farm related terms clearly identifies viticulture as a farming activity (See Appendix C - Definitions). As an example, a small emerging LB winery (that used to grow and process a different product) now faces an additional \$4000 annual tax increase as a result of reclassification of their farm buildings to 'light industry'. The property tax of another larger LB winery went from \$1,200 - \$26,000/yr.

LB wineries, offering visitor experiences (e.g., wine tastings, tours) need every dollar to invest in their agri-tourism business in order to create high quality, unique, memorable visitor experiences. They use

1 The term 'wineries' here is meant to include cideries and distilleries)

2 See <http://www.winebc.org/files/Information/Miscellaneous%20BCWI%20Reports/Canada2011WineIndustryEconomicImpactReportFINAL3-20-13.pdf>

3 See: <http://www.winebc.org/news/view/68>

4 See [WineLaw.ca](http://www.WineLaw.ca)

5 See <http://www.tiabc.ca/about-tiabc>

6 See http://www.winelaw.ca/cms/index.php?option=com_content&view=article&id=165:licensing-a-winery-in-bc&catid=27:winery-licensing&Itemid=27

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these dollars to improve viticulture practices; develop better quality wines; hire, train and develop staff; invest in tourism infrastructure; and market their product. If adopted, the recommended development of a B.C. appellation system that supports Land-Based wineries using only grapes grown in designated viticulture areas in B.C.⁷ are likely to produce even more unique wine tourist experiences. B.C.'s wine tourism regions can only benefit from the production of excellent wine products and tourism experiences.

What are other Canadian wine destinations doing?

A comparative scan of other grape growing Canadian provinces reveals that most do not target farmers growing grapes and producing wine with higher taxes. Ontario (most comparative to B.C. in terms of quality and size of grape production) really supports their wine industry. The Ontario Ministry of Agriculture, Food and Rural Affairs announced a \$75 million commitment over five years to support implementation of the Ontario Wine and Grape Strategy.⁸ Ontario's intention is to support *growth in the wine and grape sector by building tourism in the province's wine regions* through provision of incentives that encourage *wineries to increase investment in productivity, innovation, tourism and export development*.

Conclusion

B.C. wineries offering visitor experiences are the foundation of a strong agri-tourism sector in many of B.C.'s regional destinations (Okanagan, Islands, Lower Mainland, Thompson). The substantial economic spin-off from these wineries to local regional economies is significant⁹. B.C.'s governments need to support LB wineries in order to remain competitive with other wine producing regions in Canada and other regions globally. Government should support the winery based agri-tourism sector by recognizing how globally competitive the winery-based agri-tourism sector is and by encouraging the development of wineries. The economy of the wine region, the health of the region's hospitality providers and the local population will all benefit as a result.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Identify the best way(s) to support expansion and development of B.C.'s land-based wineries engaged in agri-tourism by providing recognizable and measurable tax relief that offsets the difference between Class 6: Business (production or storage of food and non-alcoholic beverages) and Class 5: Light Industry assessment applied to buildings on agricultural properties only when the activity is related to alcohol production. The provincial tax credit (relief) should offset the higher property taxes for LB wineries/cideries/distilleries offering unique, authentic experiences to visitors in B.C.; and
2. Undertake a planning process to encourage expansion and development of the wine, cideries and distilleries agri-tourism sector in B.C. An ensuing plan or strategy needs to work in concert with B.C.'s Agri-tourism policies and regulations.¹⁰

7 See <https://winecountrybc.wordpress.com/tag/terroir-bc/>

8 See <http://www.omafr.gov.on.ca/english/about/wine-grape-strat.htm>

9 The tourism multiplier effect is successive and magnified particularly when compared to other economic sectors. The impact of tourists direct spending on a wide range of products and services in the region, generates indirect spending and finally induced spending.

10 See http://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/agriculture-and-seafood/agricultural-land-and-environment/strengthening-farming/local-government-bylaw-standards/2015_09_14_agri-tourism_discussion_paper.pdf

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Appendix A – B.C. government tax revenue through LDB

The provincial government receives significant tax revenue from wine through the Liquor Distribution Branch (LDB). The estimated wholesale price of a \$20 bottle of Canadian wine purchased at a BC Liquor store is \$7.20. The difference is explained below:

- Government Taxes \$3.04 (\$1.34 GST + \$1.70 PST)
- LDB Markup \$9.10
- LDB Fees \$0.60

The wholesale cost of \$7.20 includes winery costs, wholesale markup and freight.

Appendix B - Taxation Rates

[Local Government Tax Rate and Assessments 2015](#) (more stats [here](#))

Municipalities	Type	Purpose of Tax Rate	Residential	Utilities	Supportive Housing	Major Industry ¹	Light Industry	Business	Managed Forest Land	Recreation Non-Profit	Farm ¹
Kamloops	C TNR	Municipal	5.3900	40.0000	5.3900	78.7000	21.0000	14.0500	16.1700	13.2000	13.2100
Kamloops	C TNR	Reg'l District	0.3687	1.2905	0.3687	1.2536	1.2536	0.9033	1.1061	0.3687	0.3687
Kamloops	C TNR	Hospital	0.4704	1.6464	0.4704	1.5994	1.5994	1.1525	1.4112	0.4704	0.4704
Kamloops	C TNR	School	2.3981	13.6000	0.1000	5.8000	5.8000	5.8000	2.2000	3.3000	6.9000
Kamloops	C TNR	Other	0.0598	0.5037	0.0002	0.5037	0.1686	0.1684	0.3386	0.0598	0.0598
Kamloops	C TNR	Total	8.6870	57.0406	6.3293	87.8567	29.8216	22.0742	21.2259	17.3989	21.0089

- [Which properties fall within Class 5 Light Industry?](#)

Property used or held for extracting, manufacturing or transporting products, including ancillary storage, fall into Class 5. Examples of properties in Class 5 include: scrap metal yards, wineries and boat-building operations. Exceptions include properties used for the production or storage of food and non-alcoholic beverages, which fall into Class 6.

- [What land is eligible for Class 9 \(Farm\)](#)

The Classification of Land as a Farm Regulation, B.C. Reg. 411/95, made under the Assessment Act, provides that, upon application, the following land may qualify for farm class:

- a) land used for a qualifying agricultural use;*
- b) land used for purposes that contribute to a qualifying agricultural use (e.g., irrigation, access to farm outbuildings, shelter belts);*
- c) land used for a farmer's dwelling;*
- d) land in an agricultural land reserve (ALR) that is used for a retired farmer's dwelling;*
- e) land used for the training and boarding of horses when operated in conjunction with horse rearing; and*
- f) in some cases, vacant land associated with a farm.*

Other requirements will also apply.

All farm structures used in connection with the farm operation, including the farmer's dwelling, will be classified as Class 1 - residential.

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Appendix C - Definitions

- B.C. Ministry of Agriculture [Guide for Bylaw Development in Farming Areas](#)
 - **Farm Building** means any building which is used in a farm operation.
 - **Farm Business** means a business in which one or more farm operations are conducted, and includes a farm education or farm research institution to the extent that the institution conducts one or more farm operations.
 - **Farm Class** means a designation given to a lot or part of a lot that is classified as a “farm” under the BCAA.

- [Agriculture Land Commission Act](#)
 - “**farm use**” means an occupation or use of land for farm purposes, including farming of land, plants and animals and any other similar activity designated as farm use by regulation, and includes a farm operation as defined in the Farm Practices Protection (Right to Farm) Act;

- [Farm Practices Protection \(Right to Farm\) Act](#)
 - “**farm business**” means a business in which one or more farm operations are conducted, and includes a farm education or farm research institution to the extent that the institution conducts one or more farm operations;
 - “**farm operation**” means any of the following activities involved in carrying on a farm business:
 - (a) growing, producing, raising or keeping animals or plants, including mushrooms, or the primary products of those plants or animals;
 - (b) clearing, draining, irrigating or cultivating land;
 - (c) using farm machinery, equipment, devices, materials and structures;
 - (d) applying fertilizers, manure, pesticides and biological control agents, including by ground and aerial spraying;
 - (e) conducting any other agricultural activity on, in or over agricultural land; and includes
 - (f) intensively cultivating in plantations, any
 - (i) specialty wood crops, or
 - (ii) specialty fibre crops prescribed by the minister;
 - (g) conducting turf production
 - (i) outside of an agricultural land reserve, or
 - (ii) in an agricultural land reserve with the approval under the Agricultural Land Commission Act of the Provincial Agricultural Land Commission;
 - (h) aquaculture as defined in the Fisheries Act if carried on by a person licensed, under Part 3 of that Act, to carry on the business of aquaculture;
 - (i) raising or keeping fur bearing animals or game, within the meaning of a regulation made under the Animal Health Act, by a person licensed or permitted to do so under that Act;
 - (j) [Repealed 2014-16-107.]
 - (k) processing or direct marketing by a farmer of one or both of
 - (i) the products of a farm owned or operated by the farmer, and
 - (ii) within limits prescribed by the minister, products not of that farm, to the extent that the processing or marketing of those products is conducted on the farmer's farm;but does not include
 - (l) an activity, other than grazing or hay cutting, if the activity constitutes a forest practice as defined in the Forest and Range Practices Act;
 - (m) breeding pets or operating a kennel;

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(n) growing, producing, raising or keeping exotic animals, except types of exotic animals prescribed by the minister;

- *"farmer" means the owner or operator of a farm business;*
- BC Assessment Authority
 - **Farm** – no definition found
- B.C. Ministry of Agriculture *Regulating Agri-tourism and Farm Retail Sales in the ALR*
 - *Agri-tourism is a tourist activity, service or facility accessory to ALR land classified as a farm under the Assessment Act, if the use is temporary and seasonal, and promotes or markets farm products grown, raised or processed on the farm.*
 - *Farm retail sales if all of the farm product offered for sale is produced on the farm on which the retail sales are taking place, or at least 50% of the retail sales area is limited to the sale of farm products produced on the farm on which the retail sales are taking place and the total area, both indoors and outdoors, used for the retail sales of all products does not exceed 300 m².*

TRANSPORTATION AND ITS ROLE IN B.C.'S EXPORT ECONOMY (2016)

Port facilities throughout British Columbia are in need of expansion to facilitate a diversified number of commodities – many of which support the economic growth of Canada as a nation dependent upon international trade. As one example, the Vancouver Fraser Port Authority (doing business as the Port of Vancouver) is the largest port by export tonnage in North America and is the country's principal ocean gateway to the Pacific.

The Port of Vancouver is Canada's largest port with a full range of facilities for the international shipping community, including Class 1 railroads. The Port of Vancouver offers 28 major marine terminals and extensive on-dock rail facilities. Almost 95 % of the port's total volume serves Canadian import and export markets. In 2014, the Port of Vancouver handled 140 million tonnes of bulk and container cargoes valued at \$187 billion.¹

As B.C. looks to expand its export capacity, we face increasing opposition to a range of export projects. This opposition is based on fear, misinformation and a lack of a factual base. The primary focus of this opposition has been on carbon-based exports.

Coal has been mined in B.C. since the 19th century. As of 2012, coal was produced from ten mines in three regions of B.C. The five mines in southeast B.C. and four in northeast B.C. produce mainly steelmaking coal, while a single mine on Vancouver Island has produced thermal coal for the past 20 years. Coal production for British Columbia is forecast to be about 29 million tonnes for 2014, down from 31 million tonnes in 2013.²

The Coal Association of Canada reports that Canadian coal production has been around 60 million tonnes over the last decade, however, in 2012 coal production increased to 67 million tonnes. Of this 38 million

¹ Association of Canadian Port Authorities website www.acpa-ports.net/industry/cpafacts.html

² BC Coal Industry Overview 2014, Ministry of Energy and Mines, Information Circular 2015-03

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tonnes (56%) was thermal coal produced mainly in the prairies and 29 million tonnes was steelmaking (metallurgical) coal, produced in Alberta and B.C. There is a strong case for the Chamber to support continued production and export of both thermal and metallurgical coal.

B.C. exports of thermal coal originate from mines on Vancouver Island, and mines in Alberta and the United States. The thermal coal, in variable quantities is exported from Ridley Terminals in Prince Rupert, Westshore Terminals in Delta and from Texada Island in the Georgia Strait near Powell River.

Due to a prolonged and steep decline in thermal coal prices, changes in market demand and policy disincentives, Quinsam coal mine on Vancouver Island suspended coal production indefinitely in January 2016. Mine operations were placed into care and maintenance and all contractual supply commitments are being met from existing inventories.³

Pricing has been steadily dropping as a direct result of continued economic underperformance of major Asian countries such as China, and over-supply of coal on the market currently. However, the long term prospects for the coal industry remain positive. Global metallurgical demand is projected to increase 50% (from 290 Mt to over 450 Mt) in the next 20 years and the global thermal export market is expected to double from 963 Mt to 2000 Mt.⁴

Markets for B.C. coal include Asian countries, especially Japan, China, South Korea and India, as well as countries in Europe and South and North America. Most of the coal produced in southeast B.C. is transported by rail to the Westshore Terminals export facility south of Vancouver. Coal from northeast B.C. mines is transported by rail to Ridley Terminals Inc. export facility at Prince Rupert. Approximately two-thirds of the 2011 production on Vancouver Island was destined for international markets and was shipped from Texada Island in the Georgia Strait.⁵

Coal is the predominant export commodity from B.C. ports and currently represents 22% of B.C.'s exports destined primarily overseas where it is used for steelmaking and energy production.

Metallurgical coal is used in steelmaking and thermal coal is used for energy production. Lower Mainland terminals have been safely transporting and handling coals for decades and will continue to uphold the highest environmental and community standards.

It is sometimes argued that our coal production and utilization contribute to the total world carbon emissions and, therefore, we should not be exploiting the resource. This is naïve as rapidly developing countries (such as China and India), continue to develop a growing demand for steel and energy. Worldwide, the use of coal as an energy source remains crucial to the economies of many developed and developing countries. 40% of the world's population still relies on coal for energy, including the United States and Canada. It is predicted that around 1 billion people will still be living without electricity by 2035. Without coal as a part of the energy mix, millions of people will needlessly remain in poverty. The marketplace for these commodities will simply purchase their requirements from other sources. Far better that coal be produced here where we have rigorous environmental regulation and oversight.

British Columbians benefit greatly through our coal production. In 2011, net revenues from coal mining totaled \$5.186 billion. Mining shipments totaled 36.014 million tonnes of which coal shipments are the

3 Nanaimo Daily News, Quinsam Coal Mine Operation Shuttered January 9, 2016

4 Coal Association of Canada Fact Sheet 2016 www.coal.ca

5 BC Coal Industry Overview 2011, Ministry of Energy and Mines, Information Circular 2012-2

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major component (24.488 million tonnes of metallurgical and 471 million tonnes of thermal).⁶

Moreover, these shipments make up the major component of rail shipments in the provinces; whether B.C.'s rail (and port) systems could be sustained without these shipments is questionable.

B.C. coal export facilities currently consist of Ridley Terminals in Prince Rupert, Westshore and Neptune terminals within the Port of Vancouver and a proposed direct transfer facility at Fraser Surrey Docks. Similarly, to Westshore Terminals, metallurgical and thermal coal are also moving at capacity through the Prince Rupert northern gateway at Ridley Terminals. To meet increasing demand, Prince Rupert undertook a major expansion and upgrade to double their capacity output to 25 million tonnes. In 2014, the Prince Rupert Port Authority handled over 20 million tonnes of grain, coal, chemicals, forest products, and containers, surpassing previous records.⁷

While their mine sources are primarily northern British Columbia, like Westshore, they also handle coal from Alberta and the United States. All of these terminals with the exception of Fraser Surrey Docks, have historically handled the export of both metallurgical and thermal coal. Thermal coal is also routed in transit through B.C. from Alberta and the United States sources creating further revenue and job opportunities for British Columbians in our rail and port facilities. The current coal handling terminals with rail access have largely reached expansion capacity and thus the demand for additional export capacity must be addressed.

The proposed Fraser Surrey Docks LP (FSD) will see an investment of \$45 million to construct a new coal handling facility to its terminal operations within its existing footprint. Initial projections are for the handling of up to four million metric tonnes within a 14 to 60-month construction window with plans of increasing in the future if required. This additional traffic will supplement the excess coal handling capacity at Westshore Terminals – on the same inbound rail lines – where 27.3 million tonnes have been reported as exported in 2011. Of this amount, 8.2 million tonnes of thermal coal are included which originated from the same mine source along with some additional tonnage from other mines. The economic impact of increased coal tonnage via the proposed Fraser Surrey Docks routing is estimated to increase the workforce of Fraser Surrey Docks with 50 high-paid jobs.

FSD is the largest employer on the Fraser River waterfront, with more than 300 full-time employees. FSD has been a major employer and contributor to local communities for over 50 years, handling over \$3 billion dollars-worth of goods annually. FSD has directly contributed over \$280 million dollars to BC communities over the last 5 years through wages, taxes and buying of local goods and services.⁸

On August 21, 2014, FSD was granted a permit by the Port of Vancouver that gives it conditional approval to build and operate a Direct Transfer Coal Facility within its existing lease area⁹. The Port of Vancouver is the permitting authority for the proposed amendment. The permitting process considers environmental and technical information, as well as First Nations, municipal, agency and community input. In completing its federal environmental review and as per section 67 of the Canadian Environmental Assessment Act 2012, the Port of Vancouver considered the information and the proposed mitigation measures provided by FSD, along with other relevant information. The Port of Vancouver concluded that, with the implementation of proposed mitigation measures and subject to the conditions of

⁶ PricewaterhouseCoopers (PwC) LLP Forging Ahead: The Mining Industry in BC 2011

⁷ Association of Canadian Port Authorities website www.acpa-ports.net/industry/cpafacts.html

⁸ Fraser Surrey Docks LP Discussion Guide, Consideration to Amend Permit No. 2012-072 Direct Transfer Coal Facility

⁹ Fraser Surrey Docks LP Discussion Guide, Consideration to Amend Permit No. 2012-072 Direct Transfer Coal Facility

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the permit, the project is not likely to cause significant adverse environmental effects.¹⁰

On June 19, 2015, FSD applied to amend its existing project permit following consideration of feedback received during the first round public consultation. A second round of public consultations were undertaken by FSD after submission of the project amendment July 17 – August 21, 2015. The proposed amendment had no impact on the volume of coal permitted to be shipped through FSD (4 million metric tonnes per year).¹¹

On November 30, 2015 the Port of Vancouver issued an amendment to FSD's existing Direct Transfer Coal facility project permit. The amendment permits FSD to use ocean going vessels (OGV's) which eliminates or reduces the use of barges.¹²

Energy and mining exports in 2011 accounted for more than 30% of B.C.'s international exports. Coal alone accounts for more than half of the \$14 billion total of that sector. The movement of coal from remote mines to tide-water export terminals – like other commodities – ideally requires variable and multi-routing models to ensure reliability within the supply chain. The utilization of multiple inland transportation modes serves to circumvent potential disruption in service and is an important element in logistical planning. Availability of inland transport equipment and export terminal capacity are other important considerations in formulating appropriate export logistics.

Canada's major ports have a legal designation under the Canada Marine Act as Canada Port Authorities (CPA) and consist of 18 Port Authorities known as the National Port System. These Port Authorities were designated as being 'critical to domestic and international trade. These 18 ports handle approximately 310 million tonnes annually, valued at more than \$400 billion.¹³

A recent review of the Canada Marine Act made strong recommendations for changes to enhance the overall competitiveness of Canada's port system. With international trade expected to double or triple by 2020, there are many things that must be done to ensure Canada's ports remain 'ports of call' for shippers around the world.¹⁴ The trade volume through Canadian ports is expected to double over the next 15 to 20 years. Canada's major ports continue to make large capital investments in infrastructure to meet growing needs of port users as trade continues to grow. This is an essential service as ports are in the middle of an important transportation logistics supply chain and must work diligently to ensure the secure flow of goods to people. OGV's are getting larger and have more and varying infrastructure requirements. These vessels can only be effectively serviced with the proper infrastructure all along the trade corridor from the dock, to the landside links, to its final destination, that is the receiver and ultimately the consumer.¹⁵

Canada's seaports are key to moving goods and people via complex logistical supply chains extending to seaports in more than 160 countries throughout the world.

Every year Canada's Port Authorities contribute much to Canada's economy:¹⁶

10 Fraser Surrey Docks LP Discussion Guide, Consideration to Amend Permit No. 2012-072 Direct Transfer Coal Facility

11 Fraser Surrey Docks LP Discussion Guide, Consideration to Amend Permit No. 2012-072 Direct Transfer Coal Facility

12 www.fsd.bc.ca

13 Association of Canadian Port Authorities website www.acpa-ports.net/industry/industry.html

14 Association of Canadian Port Authorities website www.acpa-ports.net/industry/index.html

15 Association of Canadian Port Authorities website www.acpa-ports.net/industry/index.html

16 Association of Canadian Port Authorities website www.acpa-ports.net/industry/index.html

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- 311.5 million tonnes of cargo handled;
- 495.9 in aggregate revenue in the 2013 fiscal year;
- 182.4 million in operating income in 2013;
- 250,000 direct and indirect jobs;
- \$10.2 billion in salaries;
- \$25 billion added to Canada's Gross Domestic Product;
- \$2.2 billion in federal and provincial income taxes and; and
- \$2 billion in consumption tax.

Marine terminals serve as the intermodal connector where foreign trade changes transportation modes between land and water transit. Ships carry over 90 percent of world trade. Cargo may be stored in warehouses, in grain elevators, in petroleum and chemical tanks, or in open storage areas such as those used for automobiles, steel structures and containers. Some perishable cargos such as frozen meats and poultry and fruits and vegetables, require temperature-controlled warehouses. The ports system is the only economically feasible method for handling the export of raw materials, grains, most manufactured products and perishable goods. In addition, without an efficient port system and accompanying inland delivery system, imported consumer goods such as clothing, electronic goods, and seasonal fruit would not reach store shelves.¹⁷

The preamble contained herein serves to illustrate the importance of developing and maintaining multiple gateways for the export of coal and other bulk commodities.

THE CHAMBER RECOMMENDS

That the Provincial and Federal Governments:

1. Work with the appropriate transportation authorities to assist and expedite B.C. port expansion approval to meet with surging demand for increased export capacity for coal (both thermal and metallurgical) and other commodities to accommodate global market requirements; and
2. Work with industry to develop and promote public and economic policies that: create and encourage a better understanding of the importance of our export economy to the provincial and national interests, and address environmental concerns by committing to education and mitigation of environmental impacts.

BRINGING STABILITY AND CERTAINTY TO B.C.'S MINIMUM WAGE LEVELS (2015)

The recent changes announced by the provincial government to B.C.'s minimum wage are welcomed by the Chamber as providing predictability to the minimum wage for the foreseeable future. The change introduced by government will move B.C. to having the third highest minimum wage of all the Canadian provinces.

Our members have expressed concern that despite this change government will continue to face calls for significant increases, or even more worryingly, for the introduction of living wages.

¹⁷ Association of Canadian Port Authorities website www.acpa-ports.net/industry/cpafacts.html

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The Chamber recognizes that the genesis of minimum wages was as a mechanism to protect the most vulnerable workers from exploitation. However, it must be remembered that this was at a time where people had little to no recourse for unfair work practices and in fact many of the people who were looking to be protected were not even franchised in that the early minimum wages were introduced to protect women and children.

The fact that this reality is no longer present has led to a shift in the rhetoric around minimum wages rates. We now have a situation where proponents of significant increases to the minimum wage are now attempting to link increases in the minimum wage to reducing poverty and affordability. This is disingenuous and is based on trying to generate public sympathy while ignoring the very real impact increase to wage rates have on employers.

Who Earns the minimum wage?

B.C. continues to have a low rate of individuals earning the minimum wage. In B.C. 5.9% of the paid workforce earn the minimum wage, significantly below the national average of 7.2%

More importantly than the number of workers who earn the minimum wage it is important to look at the situation of those workers who earn the minimum wage. Of the people who earn the minimum wage in 2014 we see that

Part time workers	57%
Defined as head of the family	7%
Youth living at home:	52% (of these workers 47% were attending school)

For those workers who are heads of household or those whose primary income is at the minimum wage the chamber recognizes that in B.C. this will lead to concerns about poverty and a challenge to access basic food and shelter. This places significant burden on individuals, families, communities and government services.

While the Chamber agrees that it is important to have a minimum wage to protect vulnerable and young workers it should be recognized that the minimum wage introduces a distortion into the wage market. In essence government sets a rate that forces employers to pay a minimum rate of pay irrespective of the type of work (with the exception of liquor servers) and with no relationship to the experience, training or skill level of the worker.

The other aspect of the distortive impact of minimum wages is that they fall primarily on small business. Counter to the rhetoric of some groups the minimum wage is not paid by employers who are exploiting their workers but are paid for positions that have little to no training and are primarily paid by employers who do not have the ability to pay higher wage rates. These small business are also heavily focused on the service sector with 91% of minimum wage earners are employed in the service sector.

B.C. has seen a significant shift in the minimum wage over a relatively short period of time. 2011 saw the government introduced a 3 stage increase that saw the wage go from \$8 to \$8.75 in May 2011, \$9.50 in November 2011, \$10.25 in May 2012. As businesses were finally adjusting to this new reality we will now see a further increase to \$10.45 in September 2015.

Moving forward

The Chamber is clear, small businesses cannot accommodate another large, unplanned increase to the

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minimum wage. The introduction of a link to CPI for increases going forward provides a level of predictability to businesses that allows them to plan and ensures that they will face no large increases in their labour costs.

We have seen increases to the minimum wage introduced to address political pressure. While we accept that the lack of any increase for the 2000's created significant pressure on the minimum wage level that led to a significant increase. While an increase in 2011 was justified the 30% increase caused significant concern to business who had to absorb a huge increase to their labour costs at a time where the economy was still recovering from the recession.

This was particularly concerning as the 30% increase was for no other reason than it moved B.C. up the ranking compared to other provinces. This is leading to an increased concern that provinces will continue to face pressures based on the relative position of other province, a case of 'keeping up with the Jones's.' This raises the very real prospect of a less business friendly province significantly increasing their minimum wage thereby placing irresistible pressure on B.C. to follow suit.

To address these issues the Chamber believes the provincial government must take a leadership role in moving the discussion into a more fact based public dialogue. An ongoing concern for business is the fact that increases in the minimum wage are not tied to any measureable outcomes. Business are being asked to carry ever higher minimum wage levels with no understanding as to whether the increase will lead to any improvement in social outcomes.

Related to this there is a significant lack of understanding and information in the public domain to counter claims that the minimum wage is related to poverty and affordability. This information vacuum allows proponents of large increases to present a false picture to the public to gain public support based on a false premise. To address this government should commit to providing regular and accurate information through a Minimum Wage Fact Sheet. This should provide the public with a clear picture of who earns the minimum wage and allows the public to track the breakdown of minimum wage earners over time.

Further to this, the provincial government should work with their provincial counterparts to institute a mechanism where there is consultation on any proposed changes to individual provinces minimum wage levels. While it is unrealistic to expect that there will be formal coordination, or harmonization, of minimum wage levels it should be recognized that decisions on minimum wage levels have inflationary pressures on other provinces wage levels. Even if this process is unsuccessful in mitigating an individual provinces decision to significantly increase their minimum wage it may allow for an agreement between other provinces that they will not be pressured into matching with significant increases of their own.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Introduce no increases to the minimum wage beyond increases that are approximate to CPI;
2. Commit to the publication of a Minimum Wage Fact Sheet to ensure the public are aware of who earns the minimum wage;
3. Work with their provincial counterparts to develop a consultation mechanism on minimum wage increases;

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4. During periods of recession (i.e., when CPI and/or economic growth are negative) the minimum wage remains frozen, not just until economic growth resumes but until the inflation index has caught up (or returned) to its pre-recession point; and
5. Ensures that the Minister retains the ability to overrule the regulation and freeze the minimum wage if economic circumstances warrant it.

BUSINESS IMMIGRATION IS A CRITICAL RESOURCE FOR BUSINESS SUCCESSION IN B.C. (2015)

Both federal and provincial governments have identified immigration as a positive means to support labour market and economic development strategies. Governments have put programs such as the Provincial Nominee Program (PNP) in place to assist immigrants in obtaining their permanent residence and also help domestic businesses with succession planning. On the supply side, many business lack knowledge and resources to take advantage of programs available to assist them with succession planning. On the demand side, long nomination processing times are a barrier in transition of business ownership from domestic owner to a foreign buyer.

Background

It has been reported that half of all small- and medium-sized businesses in Canada are set to retire over the next decade. By province, B.C. will see the largest transfer of ownership in the coming decade with no less than 40% of businesses expected to change hands in the coming five years. In 2013, British Columbia was home to a total of 389,400 businesses. Of these, 382,200, or 98%, were classified as small businesses. This equates to 155,760 small-and medium-sized business in B.C. projected to change hands in the next 10 years. Given this magnitude, a faulty or badly executed succession planning process could have a ripple effect throughout our economy via reduced productivity, job losses, premature sales and increased bankruptcy rates. This potential cost to British Columbia's economy is significant.

A partnership between the federal and provincial governments to facilitate the "Nomination" of immigrants to meet B.C.'s economic needs was established. The BC Provincial Nominee Program (PNP) was introduced in 2001 to increase the benefits of immigration to British Columbia by allowing the provincial government to nominate foreign workers and entrepreneurs for accelerated permanent resident status based on labour market and economic development needs and priorities. While the economic impacts of the BC PNP Business Succession stream have been substantial in terms of program targets there is still a need to increase capacity and awareness of the program to further facilitate a growing need to support business succession in British Columbia.

Access to Program

Immigration programs, such as the PNP, geared towards attracting business entrepreneurs to B.C. play a critical role in supporting economic development and business succession. An independent study conducted by the British Columbia Immigration Task Force focused on reviewing the current economic immigration system and identified key findings on how to enhance current programs.

- Lack of awareness and knowledge of immigration program requirements prevents employers from effectively using economic immigration programs to attract foreigners;
- Foreign entrepreneurs provide capital and know how to support business development and succession. Not enough is being done to attract and support them, especially in regions outside the Lower Mainland; and

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- The B.C. share of the capital collected through Federal Immigrant Investor category is not commensurate with the number of investors residing in B.C.

In order to further efforts with the BC PNP Business Immigration stream there needs to be more support and engagement with businesses preparing for succession.

Processing Time

Throughout consultations with financial sector representatives, it was confirmed that there is no shortage of international investors who are interested in doing business in Canada. It was noted that extensive processing times and annual caps on new applicants are resulting in many investors taking their money elsewhere.

Interviews with Immigration consultants and lawyers revealed that processing times are perceived to have a much stronger impact on program competitiveness than fees. Applications under the [Regional Business Succession Option](#) currently receive priority processing, and are normally processed within 9 to 12 months of receipt. For all other applications under the Business Immigration stream, BC PNP is currently processing applications received in May 2012. The Ministry has responded in 2011 that they are streamlining business plan review process and considering eliminating the preliminary application, action that has yet to be realized.

Program Monitoring

In order to create further success with the BC PNP Business Succession program, a solid understanding and positive perception of the program amongst B.C. business owners is needed. It is critical that this program has clear monitoring guidelines so that business owners looking to sell their business are aware of the program and see it as a key resource/option

Conclusion

Overall, the BC PNP Program is increasing benefits of immigration to British Columbia. The need to attract and retain skilled labour and business immigrants is vital to the success of transitioning businesses in our province. There are some key issues that need to be addressed to ensure the programs on-going effectiveness. These include developing strategies to address program accessibility, processing time and integrity.

THE CHAMBER RECOMMENDS

That the Provincial Government develops and refines the Provincial Nominee Program in order to:

1. Have employers easily access information and resources on PNP Business Succession program;
2. Decrease processing time for PNP Business Succession applications to six months or less; and
3. Develop enhanced monitoring guidelines.

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GROWTH ENGINE B.C. DIGITAL MEDIA INDUSTRY (2015)

Background

Through more productivity and innovation, B.C.'s Digital Media, Film and Animation industries are growing rapidly and continue to create jobs, business opportunities and economic growth for our province. These three industries often combine digital technologies to produce their work and each sector is experiencing similar impediments to expand with this growth, making this policy issue still relevant today and over the next years ahead.

In recent years, the provincial government has placed a significant focus on implementing measures to encourage growth in the industry.

In the 2015 B.C. Budget, the Interactive Digital Media Tax Credit was extended for an additional three years to August 31, 2018. Previously this credit was available for eligible salary and wages paid on or after September 1, 2010 and before September 1, 2015. Budget 2015 also extended the training tax credits for an additional three years to the end of 2017. Previously, these credits were available for the period beginning on January 1, 2007 and ending on December 31, 2014. In regards to the Digital Animation or Visual Effects (DAVE) tax credit, the budget expands the scope of the credit to include eligible post-production activities. The credit will be available for productions where principal photography begins on or after March 1, 2015.¹

The B.C. government's comments on the 2012 policy also include a commitment to continuing support of sector workforce planning projects via the Labour Market Partnership (LMP) Program. Under this program, the sector benefited through two prior agreements. The first was to research and develop a comprehensive Human Resource strategy, and the subsequent agreement supported implementation of the strategy including the creation Sector Council to voice industry needs moving forward and recommend changes and/or the creation of new workforce programs.

The Province has also worked with the digital media industry and Citizenship and Immigration Canada to modify the TFW recruitment process to allow the industry freer access to international technical skills through not easily accessed in Canada through a timelier Labour Market Opinion (LMO) process and a more flexible LMO advertising requirement for IT professionals. In addition, the Ministries of Jobs, Tourism and Skills Training and Advanced Education developed the Post-Graduate Work Permit Program pilot for international students. In addition to involvement in the 2012 Immigration Task Force Review, industry representatives have been involved with consultation to inform B.C.'s position in the current federal review of the TFWP.²

Digital Media

B.C.'s video game industry is anchored by permanent, knowledge-based, creative positions at more than 142 companies that develop software for game consoles, mobile devices, personal computers and online platforms. Jobs in this industry are typically long-term, full-time positions. According to the Entertainment Software Association of Canada (ESAC), the average employment span is 9.4 years – the highest in Canada.

In 2012, the video game industry in B.C. was responsible for \$568 million in gross expenditures, and 40%

¹ KPMG's Tax News Flash Highlights of the 2015 British Columbia Budget
February 17, 2015 No. 2015-09 <http://www.kpmg.com/Ca/en/IssuesAndInsights/ArticlesPublications/TNF/Pages/tnfc1509.pdf>
² B.C. governments comments made on the B.C. Chamber of Commerce's 2012 Growth Engine BC Digital Media Industry policy.

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of companies reported they expected growth of more than 25% in 2014.

The B.C. video game industry alone employed 4,600 people and made a GDP contribution of \$705 million in 2013, up 36% from \$520 million in 2008. Also, the interactive digital media industry job growth helped stimulate technology job growth in other sectors such as education and health care. The average industry employee is 33 years old, married with kids, owns their own home and earns an average annual salary of \$76,000 (almost double the BC average).

If B.C. is to regain its leadership position in the global video game sector and capture the opportunity to create thousands of new jobs in the coming years, we need an enhanced tax credit program to incentivize new growth and investment. With an enhanced program in place, we believe we can double the size of the industry and create 5,300 new jobs in the coming five years.

DigiBC and the B.C. industry recommends in addition to the extension of the current IDMTC to 2018 to also include the following modifications:

- Make the program more competitive by increasing the credit to 30% (effective tax credit of 21.5% net of B.C. SR&ED) and including contract labour at 50% of the base tax credit (15%).
- Make the program more accessible by allowing companies to concurrently participate in BC's venture capital programs, removing upfront administrative fees to participate in the IDMTC, and allowing companies creating cinematic sequences for video games to participate in the program.³

Animation

B.C.'s talented animation industry has produced a wide range of world-class entertainment from endearing children's cartoons such as *The Naughty List*, *Ella the Elephant* and *Nerds and Monsters*, exciting games about fantasy worlds such as *Halo 2* and *Beyond Earth*, action packed TV series such as *Spiderman* and *Heavy Gear* and feature films such as *Escape from Planet Earth* and *Clockwork Girl*.

Creative BC and the B.C. branch of the Canadian Media Production Association recently held the first BC Animation Day in Los Angeles to showcase the breadth and range of our creative talent and build relationships with top producers in this important market. A delegation of eleven B.C. animation companies participated in this trade mission and held business meetings with more than 30 companies in LA. The participating B.C. companies included: Arcana, Atomic Cartoons, Big Bad Boo Studios, DHX Media, Bardel Entertainment, Kickstart, Nerd Corps Entertainment, Rainmaker Entertainment, Slap Happy Cartoons, Sequence and Waterproof Studios.⁴

Of these, Bardel Entertainment Inc. is the leading animation services provider in North America. They are located in Vancouver, Kelowna and Los Angeles and have been doing animation for close to 30 years (since 1987). Bardel's CEO, Delna Bhesania, identified 3 main areas restricting growth to their industry:

- Connectivity infrastructure and locations to set up production. They are in critical need for power and fiber-optic infrastructure in buildings, permitting and available space to operate costing millions in lost revenue. Kelowna, B.C. has the infrastructure but is not yet set up to attract talent to relocate.
- Skilled workforce. Many graduates need extensive additional training to be employable, leaving the industry continuously short of skilled labour.

³ British Columbia Video Game Industry Report by DigiBC on behalf of the Digital Media and Wireless Association, November 2014.

⁴ CreativeBC's blog post titled: BC's Animation Industry Creates Winning Hits,

January 19, 2015 <http://www.creativebc.com/2015/01/13/bcs-animation-industry-creates-winning-hits.php>

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- Immigration process applications. A more streamlined process is needed to go through Service Canada's Labour Market Impact Assessment applications to bring in talent from other countries.⁵

Film

Vancouver is the core of the third-largest foreign film and production centre in North America, known worldwide as Hollywood North. British Columbia accounts for about 60% of all foreign location film and TV production in Canada. Film makers have been attracted by B.C.'s natural beauty since the late 19th century. Major studios were developed in Greater Vancouver in the late 1980s, and the Government of British Columbia started providing assistance to the industry in 1998. Total direct and indirect full time equivalent jobs generated by film and TV production in B.C. are estimated at over 36,000.

The industry has a strong balance of international and domestic production activity. Domestic productions have increased significantly in recent years and now account for 40 per cent of total local spending.

The Vancouver region is home to most of B.C.'s production and post-production activities, with sufficient capacity to support the biggest Hollywood movies in casting, set-building, location filming, and audio and special effects. Vancouver is home to some of North America's most expansive and sophisticated studio spaces and facilities.⁶

- Digital media generates annual revenues of \$1.2 billion in British Columbia;
- We have 900 digital media companies employing 14,000 people;
- Our digital media companies produce video games, animation and visual effects, social media, interactive marketing, and e-learning products;
- British Columbia has one of the top video game clusters in the world, with more than 65 game development studios employing 5,000 professionals;
- Digital media companies here develop products used in health care, education, and other fields; and
- British Columbia's film, television, and digital media sector has a combined workforce of 49,000.⁷

On January 31, 2013 the provincial government announced that effective April 1, 2013 the programs and services of the BC Film Commission and BC Film + Media would be combined under one agency, Creative BC. This new agency is an independent, non-profit society that is responsible for promoting the development of creative industries in British Columbia and providing a single point of access for industry programming, production support services, tax credit administration, international marketing and policy development. The formation of Creative BC streamlines assistance for the film and television production sector, while also supporting and stimulating the development of B.C.'s broader creative industries.⁸

Conclusion

The digital media industry has become a significant economic driver in B.C. with no signs of slowing down over the next years ahead. With this growth B.C. has an opportunity to set up the infrastructure necessary for this industry to become global leaders across all its sectors and continue to strengthen B.C.'s economy.

⁵ Quote from phone conversation with Delna Bhesania, February 2015.

⁶ Vancouver Economic Commission website page on B.C.'s Film and Television Production, <http://www.vancouvereconomic.com/page/film-television-production>

⁷ Trade and Invest British Columbia - Global film, television and digital media industry webpage:

<http://www.britishcolumbia.ca/invest/industry-sectors/technology/film-television-and-digital-media.aspx#.VP0ZHvmjOM4>

⁸ CreativeBC 2013/2014 Activity Report: http://www.creativebc.com/database/files/library/CreativeBC_ActivityReport_20132014_secure.pdf

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THE CHAMBER RECOMMENDS

That the Provincial Government works with the Federal Government, municipal governments, the academic sector and the digital industry to identify impediments to this sector's growth. This should focus on:

1. Improving regulatory and infrastructure requirements as the industry grows;
2. Provincial and federal tax structures that develop globally competitive film, digital media and animation industries in B.C. and;
3. Working with the industry to identify needs and implement solutions to develop a highly skilled workforce in B.C.

STABLE FORMULA FUNDING FOR TOURISM INDUSTRY DESTINATION MARKETING ORGANIZATIONS (2015)

British Columbia's vibrant tourism industry has proven its potential to secure a growing share of the global tourism market. But in order to make good on the promise of the industry, Destination BC and its network of regional and community-based organizations must continue to generate demand through competitive marketing. They can best achieve industry growth by operating in an environment of predictable and performance-based funding.

The tourism industry is a critically significant player in the provincial economy, with a proven capacity to grow. In 2011, with the release of [Canada Starts Here: the BC Jobs Plan](#), the provincial government identified tourism as one of the eight British Columbian industries with unique competitive advantages. According to BC Stats, in 2013 tourism generated \$13.9 billion in revenue, contributed \$7.3 billion in Gross Domestic Product, and employed over 132,000 people.

Tourism is an industry that weathers external shocks and capitalizes on positive stimulus, adding value, revenue, and jobs to the province. In 2009, the global economic recession and the appreciation of the Canadian dollar caused a sharp decline in tourism revenue. However, that trajectory was then sharply reversed in 2010 with the Olympic and Paralympic Winter Games and the implementation of the Approved Destination Status for Canada in China. Overall, the trend has been towards robust growth. According to BC Stats, between 2002 and 2012 total tourism revenues grew by 40.5%. From 2012 to 2013, revenues increased by 3.6%, marking a 44% increase from 2002.

Destination BC, as the current iteration of the province's tourism marketing crown corporation, has a strong mandate to generate demand for its industry. As per Premier Christy Clark's specific tourism strategy, [Gaining the Edge, a Five-year Strategy for Tourism in British Columbia 2012-2016](#), Destination BC was launched in 2013 to provide innovative and industry-led leadership while remaining accountable to tax-payers. According to its [2015/16- 2017/18 Service Plan](#), Destination BC's corporate strategy is based on three pillars: creating a 'magnetic brand', fostering 'remarkable experiences', and enabling a 'powerful marketing network'. These pillars are expressed through specific initiatives and performance measures that give Destination BC and its tourism industry partners a clear strategy for capturing a greater portion of the global tourism market while operating in accordance with the government's Taxpayer Accountability Principles.

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Although the current mandate and strategy of Destination BC indicates a positive way forward for the industry, the corporation has been launched amidst a backdrop of great uncertainty for tourism marketing organizations in British Columbia. The regional and community destination marketing organizations (DMOs) that comprise Destination BC's marketing network depend upon predictability and multi-year agreements in order to manage their supply chains, develop products, and set prices. Changes in the funding environment in the past half-decade have made the planning and execution of competitive marketing initiatives truly challenging for these DMOs

Formerly, a percentage of the Hotel Room Tax (HRT) provided a stable and dedicated stream of funding for DMOs. But after the instatement of the short-lived Harmonized Sales Tax, which temporarily eliminated the HRT, the provincial government began simply providing transfers to Destination BC, promising to eventually implement a new formula funding model that would provide a percentage of the provincial sales tax to the tourism industry. In fact, during the 2012 rollout of Destination BC, the government declared in a November 3rd press release that following the corporation's first year of operation, its funding would be set based on a percentage of annual sales tax activity and enshrined in legislation. Years later, the province's DMOs are still waiting for this funding model to be unveiled. The *2015/16- 2017/18 Service Plan* reiterates the government's intent to provide Destination BC with formula funding linked to a proportion of tourism-related provincial sales tax (PST) revenues. Claiming that this funding model is 'currently being developed', the *Service Plan* makes no mention of protection of this performance-based formula through legislation, nor does it provide a timeline for its implementation.

Although BC tourism has proven its hardiness and potential for growth, it is prudent to recognize the challenges it now faces as a player in a rapidly evolving global market. 25 years ago, only 10 countries were contending for tourism dollars. Currently, 200 countries are working to attract international visitors and capture market share. Given the challenges inherent to operating in an increasingly competitive global market, and the need for a stable funding environment that can nurture effective long-range marketing strategies, legislation-protected formula funding for DMOs is now more important than ever.

Currently, tourism marketing professionals are operating in a regime of uncertainty, where transfer amounts are not guaranteed and may conceivably be eroded by requests from other competitors for provincial funding. Not only that, but the *2015/16- 2017/18 Service Plan* projects government transfers of \$50,974 million each year until 2017/18, despite the fact that it also forecasts growth of tourism industry related revenue. This is not in keeping with the performance-based principles at the heart of the new Destination BC model. Destination BC and its strong network of DMOs are working hard to capitalize on the promise of one of the province's eight key industries. The global tourism market is inherently unpredictable and increasingly competitive, so where the provincial government can provide stability and the conditions for success, it should act swiftly.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Create a formula funding model that links transfers to Destination BC with a proportion of Provincial Sales Tax revenues collected from tourism activities;
2. Ensure this formula is performance-based, in keeping with the Taxpayer Accountability Principles; and

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3. Protect this performance-based formula funding through legislation.

ACTIVATION OF BC'S SKILLS FOR JOBS BLUE PRINT IN SCHOOL DISTRICTS ACROSS THE PROVINCE (2014)

Issue

The provincial government has recognized that the province will require employees to fill the one million projected jobs in our province. The business community is currently experiencing challenges hiring skilled labour and expects that labour pools will become more strained in the next decade. The current issues around the Temporary Foreign Worker Program (TFWP) will likely impact labour pools across all sectors going forward creating an additional stressor for business across the province. The importance of hiring local labour continues to be a common thread of discussion through all sectors of business.

Background

The Premier's LNG Working Group has identified that by 2022 there will be a million job openings in all sectors and in all parts of the province. Premier Clark states that filling these jobs is a significant challenge, and our ability to provide the right workers with the right skills in the right places will call for resourcefulness, innovation and a common purpose. She goes on to state "Our primary goal will always be to put British Columbians first in line for job openings – something that can only happen if we ensure British Columbians have the training they need to take these jobs. As part of our goal to maximize the potential of our existing workforce and our young workforce of the future, we have developed a plan that will give our young people a seamless path right from school through to the workplace"

Shirley Bond, Minister of Jobs, Tourism and Skills Training states "*by 2022, more than 78% of job openings will require some form of post – secondary training. Today, only 50% of our young people have that level of training. Too many youth are still struggling to gain a foothold in the labour market. Government is working with our partners in education and industry to make sure education and training programs are aligned with the demands of the labour market.*"

The plan has 3 objectives:

1. A head start to hands on learning in our schools
2. A shift in education and training to better match with jobs in demand
3. A stronger partnership with industry and labour to deliver training and apprenticeships.

The Plan calls for a more targeted focus on training for high demand jobs, providing all partners with more up to date and useful labour market information, encouraging innovation in how we provide education and training to better meet the needs of British Columbians and giving employers and industry a stronger role and voice in shaping and evaluating our skills and training funding and program delivery.

Industry in the north east identified that hiring local students for evening, weekend and summer break is difficult as students do not have H2S or Industrial First Aid tickets. Both these tickets are minimum requirements for persons applying for jobs across all sectors of industry. Employers are also hesitant to cover the cost of these tickets as employees often don't return after training or move on to other employment opportunities.

This spring, the Dawson Creek Chamber of Commerce, Industry, School District #59 and Northern Lights College came together to create a training program for Grade 10 students in Dawson Creek. Northern

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Lights College in cooperation with School District #59 created a program to allow students to access training for H2S and Occupational First Aid before the start of summer break 2014. The high school offered the program to their Grade 10 students – some of them already enrolled in the dual credit program and other students who are career pathing in professional services but recognize the opportunity to earn good wages to offset the cost of post-secondary education. Funding of the program was shared between industry and Northern Lights College Foundation. 118 students were offered the opportunity to participate in this program – 87 students enrolled and completed the program on March 12, 2014. Students are being tracked to monitor the success of this program. Already, we have students who were able to secure summer employment because they had these tickets.

As the program evolved; the working group focused on creating a program that could become a template in communities across the province. The working group clearly defined that the Dawson Creek program not only created opportunity in the natural gas sector but other sectors including agriculture, construction, mining, forestry and retail to name a few.

The working group identified that local Chambers of Commerce/Boards of Trade are the logical choice to lead these programs. Chamber boards and staff build relationships in their communities with business, political leaders and stakeholders in the community; these relationships are the basic elements to initiate such a program.

The benefits of this program include keeping local employees local, these students will become citizens of our communities and invest their wages in our local communities. It provides an opportunity for employers and employees to start building a relationship in the early stages. This allows the employer to groom students into exceptional employees who understand the company and their trade of choice before moving into a full time career. It also allows the student to have a better chance of their employer confidently enrolling them in apprenticeship programs and sponsoring them through this phase of their education. It also allows the provincial government to fund programs that are truly grassroots and directly benefits areas of the province which will be faced with labour shortage crisis in the coming decade.

As the Chamber and its membership continue to provide leadership to government and the business community, local programs such as this create a foundation for our youth and will create basic skilled labour pools for employers across the province.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Identify and provide funding for similar programs created in cooperation with local Chamber of Commerce, industry, school districts and colleges offering dual credit courses in a partnership format; and
2. In accordance with the Premier's Working Group's final recommendations, begin training British Columbians immediately for the LNG opportunity and by increasing the efficiency and effectiveness of the investment in training by leveraging successful government, union, and private training programs.

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ADDRESSING THE SKILLS SHORTAGE THROUGH SECONDARY TRADES EDUCATION (2014)

Background

British Columbia is expected to experience a significant shortage in skilled workers by 2018. A source of this shortage is the lack of ability for British Columbian students to gain access to trades training at a secondary level. The Ministry of Education's Revised Service Plan for 2013/2014 – 2015-2016 states that “with an aging population and shrinking workforce, British Columbia is facing skills shortages in its labour market, particularly in high-skill occupations and high-growth industries, putting added pressure on B.C. graduates. Our education system was designed in an earlier century and cannot meet the challenges students are facing now, or those that they will face in the future.”¹ Students being educated under the current education system do not see trades as a possible career path. The acknowledgement of the issues with our current education system is an important first step in making necessary changes to ensure the economic success of B.C. and its students. With over one million job openings projected by 2020, the Provincial Government needs to be doing everything it can to provide an education that allows B.C. students to take advantage of those jobs².

The goal of the Ministry of Education is to increase the number of K-12 students enrolling in trades programs by 50 percent. The Ministry is attempting to meet that goal by “*informing school career counsellors, teachers, educators, parents, and students about the merits of working in the trades; increasing the number of educators able to provide skills training in secondary schools; encouraging school districts to raise the profile of technical training and careers in trades, and to address capacity issues by working with public post-secondary institutions and industry to meet the needs of their community; offering students more opportunities for dual credit skills training with post-secondary institutions, as well as first-level industry certifications with industries; promoting pathways that help students explore their interest in trades and technical occupations, and identify the courses and certifications they need to get there; and, inviting employers to help shape new curriculum and graduation requirements.*”³ While these are all positive changes to our current education system, they do not fundamentally change the curriculum to reflect the fundamental changes in the economic outlook for B.C. In the recently published 2014 Provincial Budget, there are no new programs or initiatives aimed at trades training for secondary education institutions. Without providing the funds necessary to facilitate a 50 percent increase in trades enrollment at the K-12 level, the Provincial Government is not fully committing to its own mandate.

According to the Canadian Chamber of Commerce' *Top 10 Barriers to Competitiveness*, “*Social biases and education policy are affecting the pool of entrants into skilled trades and science-based occupations. The chronic shortage of highly qualified and skilled trades professionals stems from a social bias against the skilled trades as occupations.*”⁴ Part of the social bias against trades occupations stems from the current education system's focus on traditional post-secondary education institutions rather than alternatives such as trades facilities and technical institutions. Current graduation requirements for secondary students do not offer the flexibility to enroll in trades programs, unless a student is enrolled in a joint credit program, which has limited availability due to the high demand for these seats. This need for flexibility is reflected in the Ministry of Education's report on transforming B.C.'s graduation

1 Ministry of Education Revised Service Plan 2013/2014 – 2015/2016, page 8

2 British Columbia Labour Market Outlook, 2010 – 2020, Work BC, page 2

3 Ministry of Education Revised Service Plan 2013/2014 – 2015/2016, page 9

4 *Top 10 Barriers to Competitiveness*, The Canadian Chamber of Commerce. 2014 http://www.chamber.ca/advocacy/top-10-barriers-to-competitiveness/140206_Barrier_1.pdf

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requirements.⁵ The current secondary education system is failing students through its failure to offer them an education that will help them be successful and productive members of the transitioning B.C. economy.

While there have been improvements in trades education at a post-secondary level, without a basis of trades education in secondary institutions, students will continue to graduate without the skills needed to be successful in today's workforce. The Discover Trades BC website is an important tool in communicating the opportunities available to students, but much like the changes mentioned above, it does not provide satisfactory resources to secondary schools to encourage students to participate in trades programs. Schools participating in the Accelerated Credit Enrolment in Industry Training (ACE IT) program have seen sporadic grants from the provincial government and Skills Canada BC, but the temporary nature of short term grants prevents trades training from being ingrained in the secondary curriculum of the participating schools. In order for that to happen, the province must commit to long term funding for expanded trades education in B.C.'s secondary schools.

Current Challenges to Trades Education

With B.C.'s rapidly aging demographics and a declining birthrate, the economic future of the province hinges on training the population to take on the jobs that are already here, and more importantly, future jobs that will require specialized training. The Province has struggled to encourage students to enroll into trades programs, resulting in the current and swiftly growing skills shortage. The root of this problem lies in our education system. The current secondary education system guides students into primarily academic careers, rather than introducing them to careers in trades, where trained workers are desperately needed.

Increasing Trades Curriculum in Secondary Schools

The first step towards addressing the skills shortage through education is to expand the scope of trades curriculum in public secondary schools. The lack of funding for trades education has resulted in fewer spots available for trades students, less equipment for students to train on, and less adequately trained trades teachers. Increasing funding for these three areas will encourage enrollment in trades at the secondary level, bridging students into post-secondary trades training and eventually, long-term careers in trades.

Development of Technical Secondary Schools

In addition to growing trades facilities and curriculum in public secondary schools, an important part of addressing the skills shortage is to establish more technical secondary schools. This will create more avenues for students to enroll in trades education through new technical schools or converting select current traditional schools into technical schools. These technical schools, such as Samuel Roberts Technical Secondary School (SRT) in Maple Ridge, B.C., combine the advantages of a comprehensive high school education with the benefit of marketable job skills and post-secondary credits. The model under which SRT operates provides students with the following advantages:

- Free tuition for college and/or technical training;
- Early admission to post-secondary studies;
- Dual credits – career and technical program courses are reported to the Ministry of Education for high school credits as well as to the college;
- A “hands on” learning environment;
- Focusing on a particular career path where you have a strong interest or passion usually translates to better grades and improved self-confidence;

5 Transforming BC's Graduation Requirements: Reports from Fall 2012 Consultation Sessions, Ministry of Education, January 2013, page 5

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- Supervised work experience in related career program;
- Employment opportunities upon completion;
- Secondary apprenticeship opportunities – earn hours towards trade certifications, i.e. *Certificate of Qualification, Red Seal, or Journeyman*;
- A Secondary School Apprenticeship Scholarship – \$1,000.00; and
- Graduate from a post-secondary college certificate program and high school concurrently.⁶

Technical secondary schools are an ideal way to address the gap between traditional curriculums and the modern workforce. Technical-focused secondary schools will also address the aforementioned social bias against trades careers by increasing the visibility and desirability of trades training.

Secondary and Post-Secondary Education Partnership

With the growth of trades programs and technical schools, a closer relationship between secondary and post-secondary will be necessary to stream students into and through trades programs. Students who are able to see a clear path from their high school education, through post-secondary training and into a career are more likely to be successful. Collaboration between secondary and post-secondary institutions is needed to ensure that courses and credits are transferrable, and that secondary students in specific trades training courses are able to access seats in corresponding post-secondary trades training courses.

Industry Collaboration for Curriculum and Training

An important collaborator in creating a better educated, better trained workforce is the Industry Training Authority (ITA). Their assistance, input and collaboration on the creation of secondary trades curriculum will be essential to the success of students. With cooperation from the ITA, curriculums could be better integrated into apprenticeships and future employment for students.

The ITA is also an important source of training for trades educators at the post-secondary level. Teachers who have the opportunity to take part in training with the ITA will be able to better serve trades students. By creating appropriate infrastructure for this system to occur, the Provincial Government will facilitate more informed teachers in trades classrooms, and a stronger partnership between industry, the Province, and our schools.

Business Representation in Current Education Review

These fundamental changes to education are necessary to lessen the effects of the skills shortage on the B.C. economy. Students, businesses and industry as a whole are affected by the lack of skilled workers. As such, it is critical that the BC Chamber of Commerce be involved in the current review of secondary education and future reviews of education policies. The BC Chamber represents the interests of B.C.'s business communities, and by including their input in the education policy review, the provincial government will be including the vital input of businesses across B.C.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Increase the scope of trades curriculum in all public secondary institutions, including adding more space to classes, more trades curriculum options and increasing the number of qualified trades teachers;

⁶ Samuel Roberts Technical Secondary School, <http://schools.sd42.ca/srt/trades/>

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2. Establish more technical secondary schools by converting select public secondary schools, or creating new schools where appropriate, using current successful technical school models;
3. Create appropriate infrastructure between secondary school trades curriculum, technical secondary schools, and post-secondary trades institutions to facilitate a streamlined process for students to move through their education into trades careers;
4. Create appropriate infrastructure to integrate trades people as educators in secondary institutions and to educate current teachers employed as trades educators; and
5. Involve the BC Chamber in the current and future review of secondary education policy as representatives of B.C. businesses.

ADDRESSING THE TEMPORARY FOREIGN WORKER MORATORIUM (2014)

Background

B.C.'s ability to grow our economy will be determined by our ability to access the workers with the necessary skills. The Chamber network has watched, with growing concern, moves by the federal government to restrict businesses ability to utilize the TFWP. The changes introduced last year made the program much harder to use. The recent decision to close the program to restaurants altogether is a further regressive step that will harm many small businesses across Canada.

The recently released BC's Skills for Jobs Blueprint: Re-Engineering Education and Training was warmly welcomed by the Chamber network. Our members recognize that the plan builds on the success of the BC Jobs Plan which has resulted in a significant increase in the ability of B.C. businesses to locate and train the workers they need to grow and increase employment. More importantly, the plan addresses a consistent recommendation of the Chamber network, which is to place the needs of the economy at the centre of government's education and training agenda.

As outlined in the BC's Skills for Jobs Blueprint, the government indicates that by 2022 B.C.'s economy will create a million jobs in all sectors and in all parts of the province. This reality demonstrates that the TFW has an ongoing role to play in smoothing out the transitions of our economic prosperity as the program was intended to do. The growth of the TFWP is a symptom of Canada's growing challenge in human resources.

Our members are increasingly concerned that further restrictions will be placed on their ability to access the TFWP. Even more concerning is the possibility that the program will be eliminated for all lower skilled occupations.

The Chamber believes such an action would have profoundly negative impacts on businesses across the province. Responsible employers agree that the program should be used as a last and limited resort when Canadians are not available. Attracting Canadian workers is the first priority in recruitment, but the reality is that it's hard to fill low-skilled jobs if workers have to move to take them.

Relying on workers from abroad is an expensive process that includes recruitment and government fees, as well as significant transportation costs for employers. All of these costs challenge the myth that

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businesses are using the program to drive down wages, particularly when these workers must be paid at least as well as domestic workers with similar qualifications.

Nobody defends rule-breaking. When someone abuses a program, they create serious problems for the vast majority of companies that use it properly. When someone abuses a program, they create serious problems for the vast majority of companies that use it properly. However, as the federal government pointed out last week, they already have the power to refuse a request to bring in a foreign worker. And, if an applicant commits fraud, they could face criminal charges and sanctions that include fines and jail time. But instead of targeting these powers at abusers, the changes are having the effect of penalized the broader economy. We urge your government to engage with your federal counterparts to enhance the enforcement powers that already exist and retain the integrity of a program that is of critical importance and communities and businesses across the province.

THE CHAMBER RECOMMENDS

The Provincial Government works with the Federal Government to:

1. Place a priority on enforcement and prosecution of offenders prior to placing any further restrictions on the program;
2. Ensure that any further changes to the TFWP reflect the needs of the economy on both a regional and a sectoral basis;
3. Assertively request that the PMO and the Office of the Minister of Employment and Social Development immediately provide a plan for review of the Temporary Foreign Worker program that is accompanied by an interim plan that will allow our resource communities to get back to work; and
4. Assertively request that the PMO and the Office of the Minister of Employment and Social Development develop a labour mobility plan that will encourage Canadians to fill hospitality jobs and live and work in the Resource sector.

EASIER ACCESS TO VISA PROGRAMS (2014)

Canada's visitor visa system could better facilitate economic trade and tourism and the business opportunities for British Columbia and Canada would result.

At Canada's airports, information received from the Canadian Airports Council (CAC) is that over the past few years that visas have a tremendous but underappreciated impact not only on aviation, but also on the trade and tourism-related industries. Visas impact Canada's competitiveness as a tourism destination, the attractiveness of our international airport hubs for connecting traffic, the viability of potential new international routes, and the capacity, traffic volume and competition on existing routes, both international and domestic. This is important not just for our international gateways, but also for making smaller centres, which receive business travellers, international students and visiting family members from around the world.

There is broad interest in visas in two ways: Making the process easier for travellers who need visas, and low risk ways to get legitimate visitors out of the need for a visa altogether for travel to or through

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Canada. This is increasingly relevant to Canada's aviation sector because some of this country's biggest business opportunities for both the tourism industry and trade are with countries whose residents require a visa to visit Canada.

It is appreciated that visas play an important role in Canadian security and controlling who enters Canada. There are countries with tremendous tourism potential for Canada from which we currently require visas – countries like Brazil, China, Mexico, Turkey and India. In terms of economic trade and tourism growth, we suggest visa free travel from these countries, but we do recognize that visa requirements are in place for valid security reasons.

There is a balance involved. The right balance is in place, but that through greater use of technology and international best practices, we can be even more precise in facilitating the trade and tourism markets without sacrificing security and in a fiscally conservative manner.

It is also important to note that there is progress being made today. 130 Visa Application Centres are being opened, bring visa services closer to applicants and helping to reduce and helping to reduce application errors in important markets like China. We now have ten-year multiple entry visas, as well, visa requirements were just lifted for the Czech Republic. And while the introduction of a visa requirement for visitors from Mexico definitely had a negative impact on the tourism sector, we are hopeful that enough progress has been made to mitigate risk in other areas that this requirement can also be lifted soon as well. Mexico alone could deliver more than 130,000 additional visitors a year.

The Electronics Travel Authorization (ETA) requirement we understand to be implemented in 2015 will involve a new step for visitors from countries that currently require no visa today. This is a concern. That ETAs be low cost and low hassle is an imperative to soften its impact on travel demand, but ETAs also represent an opportunity if they are used as an intermediate screening tool that can allow for formal visa requirements to be lifted from some lower-risk markets.

So there are positive developments to report and we see this as an indication that the government is hearing what the air carrier, business and tourism sector have been relaying over the past few years about the importance of improvements in visa policies and procedures.

There are still ample opportunities for improvement. The current visa application process today is cumbersome. It asks a lot of information, is paper based, often requires a traveller to surrender his or her passport, and may entail long distance travel for in person interviews. It also can take a long time which is a huge problem for business travellers in particular. Business travel often needs to be arranged within days – not weeks or months – and a visa delayed is essentially a visa denied. Surrendering of passports can be a non-starter for many travellers and it is important that alternatives be both available and well communicated.

There are reports from foreign airlines, governments and from travellers themselves about how visas are impacting business and leisure travel, and Canada's reputation abroad. There was a case where a Turkish resident wanted to travel to Canada for a week. While he was able to very quickly get visas to enter the US and the European Union, the process took months for Canada and his passport was held by Canadian officials while he waited. He had been advised by Citizenship and Immigration Canada (CIC) officials that if the application is originated online, a passport is only required for issuance of the visa upon approval. But at Visa Application Centres, they are surrendered immediately. Apparently even there, an official has some discretion, but this is not going to be known to the applicant, and surrendering a

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passport for weeks is a non-starter for frequent business travellers.

All of this can leave a negative impression of Canada with anyone, but imagine the broader implications when a business traveller looking to trade with Canada experiences similar hurdles. Those travellers will choose other markets, and instead of Canada, those markets will receive the economic benefits and jobs that result.

Anecdotes are not indicative of the bigger picture, but surely there are ways in which we could improve the visa process. The Tourism Industry Association of Canada notes in its recent report that visa restrictions on travel are estimated to negatively impact inbound visits by up to 31 percent, which means about 250,000 fewer visitors each year from Brazil, China, India and Mexico alone. Considering the average long-haul visitor spends nearly \$1,600, this would mean an additional \$375 million in foreign spending in the Canadian economy from just these four countries if we could significantly improve the visa process. Improvements could include increased reliance on electronic visa application processing and issuance such as it exists in Australia and elsewhere, procedures that allow applicants to keep their documents, regardless of application method and improved foreign language services. Also, consider taking a different approach to potential visitors who we have already screened or who have been screened by other countries. Visitors should be able to transfer Canadian visas to a new passport, for example. And while it is appreciated that Canada evaluates potential visitors based on different risk factors than other countries, a visa to the U.S. or to the European Union nevertheless demonstrates a certain amount of pre-screening, which should be a consideration for less complicated entry into Canada.

As well, there are individuals who have been granted long-term or permanent residency in a country from which we do not require visas – like the United States. For instance, a Chinese student studying at the University of California who would like to visit Vancouver for a weekend faces the same process that we would apply to a potential visitor who has never travelled outside of his or her country. A second area of visa policy of interest to our sector is getting travellers out of the visa and border queues altogether. In particular, Transit Without Visa is a program in place today that allows travellers from certain Asian cities visiting the United States on certain airlines to transit through Canada without a visa. This program has been successful and with very few abuses or violations of the program. Its expansion and improvement have been areas in which we have seen some progress in our work with both Citizenship and Immigration and CBSA, but it is important that this progress continue as there are additional opportunities for Canada to take advantage of. While it may not be obvious how a traveller who spends just a few hours at a Canadian airport connecting to somewhere else is good for Canada, Canadian airports and air carriers are direct beneficiaries of these passengers. These additional passengers make viable international routes that might not otherwise be viable. On existing routes, they grow demand, which can grow both capacity and competition. New routes, more capacity and greater competition, in turn, help bring more travellers who are destined for Canada, which delivers benefits throughout the economy. In fact, a recent Conference Board of Canada study estimated that expansion of the existing Transit Without Visa program could have a \$270 million benefit in GDP and 3,200 jobs if Canada is able to attract just 5% of the connecting traffic between Asia and the United States. Canada's aviation sector isn't content to just stop there, however, there are tremendous opportunities available to flow travellers from Central and South America to Asia and Europe if we are able to expand Transit Without Visa to these travellers as well. Other countries understand this, which is why we have seen countries in the Middle East grow their market share of traffic between the Americas and both Europe and Asia exponentially in recent years – at the expense of North American hubs and airlines.

The University of Northern British Columbia (UNBC) is supportive of B.C.'s International Education

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Strategy (2012), which seeks to double the number of international students studying in B.C.'s educational systems by 2015. To achieve this provincial goal, the systems and supports outside of education need to efficiently and effectively address international student visa applications. At UNBC, they routinely have to make accommodations for international students who, despite their best efforts, are not able to obtain their visas in time to begin their studies with the cohort that they are admitted with. These international students may have to delay the start of their studies for one or two semesters. At UNBC, the international graduate students are often the ones who are most impacted by delays in visa processing. They are also aware that a portion of these students end up studying in other countries because they find the visa application process to be quicker (e.g., U.S.A. and U.K.). An efficient and effective International Student Visa procedure will enable UNBC to contribute to the Province's International Education Strategy (2012). An expedited international student process benefits the whole province.

UNBC attracts around 450 international students per year out of a total annual enrolment of about 4200. These students contribute about \$3.6 million in tuition fees. To put that into perspective, it represents more than 20% the total tuition received from all students or about 5% of UNBC's total operating budget. Or, as another comparison, UNBC spends about \$2 million per year to heat and light the university campuses. These figures do not include students in English language programming, or other revenues they obtain from international students such as residence fees.

The College of New Caledonia (CNC) continues to have issues with the length of time it takes an applicant to get a student visa. The current waiting period is currently somewhere between 6 weeks to 6 months, which makes it very difficult for students and institutions to plan. CNC has also experienced delays due to the closing of some visa offices, such as Japan, which means files have to be sent to other countries. For example, Japan visa applications must now be sent to the Philippines to be processed, which has slowed things down even more. In a nutshell, it is more difficult for Canadian post-secondary institutions to recruit international students because it is easier and quicker for them to obtain visas from colleges and universities in the U.S.A., U.K. and Australia.

So in conclusion, Canada's post-secondary institutions would highly benefit economically and socially with reforms to the international student visa applications. As well, Canada's airports see tremendous opportunities coming from reforms to Canada's visitor visa policies and procedures. There are ways in which we are doing better, with programs like Transit Without Visa, and these can be expanded and improved upon even more. While nobody suggests that visas will ever go away completely for travellers from every country, we believe there are readily achievable ways to improve the process for those legitimate visitors who do require visas to visit Canada. There is tremendous upside for Canada to getting this right. It's important for the health of our tourism sector, for growing Canada's international trade, and even for Canada's reputation in the world.

THE CHAMBER RECOMMENDS

That the Provincial and Federal governments support the amendment of the Visitor Visa program by:

1. Streamlining the process for travellers who need visas and remove the obstacle of surrendering passports for visitors who pose no threat to Canada's security;
2. Considering ways low risk ways to get legitimate visitors out of the need for a visa altogether for travel to or through Canada;

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3. Expanding the Transit Without Visa program; and
4. Improve its student visa procedure to make it quicker and easier for potential international students to receive study and work visas.

FURTHER IMPROVEMENTS TO THE PROVINCIAL NOMINEE PROGRAM (PNP) (2014)

The *BC Labour Market Outlook: 2010 - 2020 Report* from WorkBC states that over 1 million new job openings are expected by 2020. Throughout this forecast period, it is expected that the growth in the demand for workers will outpace growth in the supply for workers. The number of new labour market entrants (who leave the education system and enter the labour market for the first time) is expected to decline. Furthermore, while additional workers can be trained to meet labour shortages, there is a gap between the immediate need for workers and when trainable, experienced workers become skilled. Thus, the B.C. economy will increasingly rely on migrants for new labour supply.

With current and forecasted economic growth in B.C., it is apparent that the demand for skilled labour will outweigh the local supply of qualified skilled workers.

One of the many solutions for addressing demand for skilled labour is the recruitment and hiring of foreign workers. But the success of this option depends on the effectiveness of immigration programs, policies, regulations and laws.

Unfortunately, the *BC Immigration Taskforce Report* (May 2012) concluded that current immigration policies and programs are not sufficiently responsive to ensure competitiveness and unresponsive to B.C. businesses labour market needs.

While immigration is a federal matter, provinces and territories have received a growing role in the selection of immigrants over the past two decades by way of bilateral agreements with the federal government. These bilateral agreements create Provincial Nominee Programs (PNPs) under which each provincial government has an annual nomination limit for selection of foreign applicants best suited for needs within that specific province/territory. Such applicants, if nominated, are provided expedited processing of their work permit and permanent residency applications.

According to Citizenship and Immigration Canada, the PNP has four main objectives:

1. Increase the economic benefits of immigration to provinces/territories based on their economic priorities and labour market conditions;
2. Distribute the benefits of immigration across all provinces/territories;
3. Enhance Federal-Provincial-Territorial collaboration; and
4. Encourage development of official language minority communities.

The PNPs have been generally successful with these objectives and have now grown to the point where they admit about 1/4 of economic immigrants.

Specifically, the provincial governments, such as B.C., are responsible for:

- Designing their PNPs and establishing the program requirements;
- Recruiting and nominating the immigrants who will apply to their PNP; and
- Monitoring, evaluating and reporting on PNPs.

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The British Columbia PNP, in particular, has been one of the most responsive to labour market and specific industry needs in Canada. For instance, the BC PNP has nomination categories for health care professionals, semi-skilled workers, and international graduates, as well as business investors. The BC PNP is also considered one of the most popular PNPs due to the Province's other highly attractive qualities.

Despite the advantages of the BC PNP, current immigration levels are insufficient to meet our province's labour market needs. The annual nomination limit for the BC PNP in 2009 was 3,000 and this limit has only modestly grown to 3,800 in 2013. Unfortunately, this allocation does not sufficiently address and support B.C.'s economic growth and further improvements are necessary.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Work to facilitate the ability of specific industry groups to request creative responses to proven and targeted labour market needs (i.e. through shorter BC PNP processing times or a dedicated BC PNP channel for industry groups to immediately address their concerns);
2. Work to advocate for a higher annual nomination limit for the BC PNP; and
3. Work to ensure that adequate resources are available to maintain effective BC PNP processing times.

GROWING B.C.'S WORKFORCE THROUGH CONSISTENT INVESTMENT IN B.C.'S PUBLIC ARTS AND CULTURE SECTOR (2014)

For many, art exposure and creative skills begin with early and ongoing engagement in public art galleries, museums and cultural organizations. Ontario's Business for the Arts publication "A strategic and economic business case for private and public sector investment in the arts in Canada" reports that funding cultural organizations releases the value of creating and presenting art to the entire community and causes a cascade of economic benefits.¹ This policy speaks to the impact our public arts and culture sector makes in developing innovation and creative skills essential to today's creative workforce and how investment in this sector equates to investment in B.C.'s economic future.

The benefits of innovation and creative skills to business communities

BC Creative Futures, a B.C. government three-part strategy to support sustainable, long-term success for the province's creative sector² is a step in the right direction and recognizes the need for funding to build a creative workforce for B.C.'s future. What is referred to as the creative sector could include most business sectors in British Columbia. Some businesses that currently rely on the artistic and creative minds in B.C.'s workforce are: the Digital and Internet Technology Industry, the Film and Television Industry, the Building and Structural Design Industry, Publishers, the News and Broadcast Sector, The Fashion Industry, The Culinary Sector, The Jewelry Industry, Product Design and Manufacturing, Urban and Landscape Designers, Educational Institutions, Tourism, the for-profit Arts and Culture Sector and

¹ Business for the Arts 2009 Ontario <http://www.businessforthearts.org/wp-content/uploads/2012/02/BftA-business-case-for-funding-the-arts.pdf>
² B.C.'s Ministry of Community, Sport and Cultural Development, "News Release" 31st January, 2013
http://www2.news.gov.bc.ca/news_releases_2009-2013/2013CSCD0006-000156.htm

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Sciences.

Most think of Sciences as not relating to the arts but this study by a team of multidisciplinary researchers following a group of Michigan State University Honors College graduates from 1990 to 1995 who majored in science, technology, engineering or mathematics (STEM), indicates otherwise. They found of that group, those who own businesses or patents received up to eight times more exposure to the arts as children than the general public.³ This study is one of several linking engagement in the arts with significant increases in performance in sectors not traditionally associated with the arts. The arts may not have been essential for these students to become scientists, but the ones who had exposure to the arts performed better from a business perspective. Exposure to the arts improves creative and critical thinking, useful skills for most occupations.

One study resulting in improved critical thinking skills involved nearly 11,000 students and almost 500 teachers participating in a year long, random-assignment study of school tours to the Crystal Bridges Museum of American Art in Bentonville, Arkansas, where it was determined that strong causal relationships do in fact exist between arts education and a range of desirable outcomes. Students who, by lottery, were selected to visit the museum on a field trip demonstrated stronger critical thinking skills, displayed higher levels of social tolerance, exhibited greater historical empathy and developed a taste for art museums and cultural institutions.⁴

In Dr. Sharon McCoubrey's (professor, University of British Columbia Okanagan) speech on "Letting the Arts Contribute to your Economic Success" she teaches communities about the distinct correlations between economic success and investment in the arts. When addressing global competitiveness, she quotes Robert Lynch: "In today's global economy, the competitive business edge belongs to innovators - those providing creative solutions that lead to prosperity in the marketplace. Leaders in government, business, and education are getting savvy to what those in the arts have long known: to fuel creativity and innovation, you need to invest in the arts."⁵

British Columbia's public art galleries, museums and cultural organizations are accessible to all B.C.'s citizens and function as foundations and hubs for most other arts and culture activities in our communities. These public organizations provide arts and culture exposure, experience and education to all age-levels on a consistent and ongoing basis and are essential to building a creative workforce.

British Columbia's public arts sector's role in the B.C. Creative Economy

As foundations and hubs to many arts and culture activities in B.C.'s communities, public arts and cultural organizations can play key roles in developing British Columbia's creative economy under their own programming and also as part of the government's B.C. Creative Futures Strategy.⁶ Many of the almost 300 B.C. public art galleries, museums and art organizations are foundations for other art and cultural activities in their communities across the province.

3 Michigan State University. "A young Picasso or Beethoven could be the next Edison." ScienceDaily. ScienceDaily, 23 October 2013. <www.sciencedaily.com/releases/2013/10/131023112724.htm>.

4 Kisida, Brian, senior research associate and Greene, Jay P., professor of education reform at the University of Arkansas. Bowen, Daniel H., postdoctoral fellow at the Kinder Institute of Rice University. "Art makes you smart" New York Times, 23 November 2013

5 Lynch, Robert, President and CEO, Americans for the Arts "Arts & Economic Prosperity, The Economic Impact of Non-profit Arts and Culture Organizations and Their Audiences" http://www.americansforthearts.org/sites/default/files/pdf/information_services/research/services/economic_impact/aepiii/national_report.pdf

6 B.C.'s Ministry of Community, Sport and Cultural Development, BC Creative Futures "Building British Columbia's Creative Economy", http://www.cscd.gov.bc.ca/arts_culture/docs/jan2013_bccreativefutures.pdf

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Most current funding for this sector is obtained through annual provincial funding applications, one-time project based funding applications and through municipal funds. Some larger public arts and cultural organizations also successfully apply for federal funding. These funding sources vary in amounts and frequency year to year and vary from community to community at times resulting in cuts to projects or staffing.

Investment in B.C.'s public arts sector to date has been some of the lowest in Canada and cuts to funding the arts that began in the global recession of 2009 -10 have just begun to reverse. The 2012/13 provincial and territorial budget analysis, "Flat-lined but Still Alive" and the 2013/14 provincial and territorial budget analysis "Gloom and Glee" both published by the Centre on Governance and the Canadian Conference of the Arts, Ottawa, Ontario, provide an overview of these budgets with a view to discerning highlights, lowlights and trends. The most recent statistics quoted in this publication are from 2010 due to cutbacks of Statistic Canada's annual reporting on funding for cultural expenditures. Here are some of the B.C. statistics:

- In per capita cultural spending over the 2007 – 2010 period, while rankings vary, British Columbia consistently ranks in the bottom five (alongside Alberta, Nova Scotia, New Brunswick, and Ontario). Out of ten provinces in 2009-10, British Columbia ranked ninth.⁷
- "While the population of British Columbia represents approximately 13.36 percent of the total Canadian population or 4,400,057 people (2011), federal and provincial cultural spending patterns have left B.C. residents in last position when it comes to per capita cultural spending by all governments. In 2009-10 B.C. was in last place among the provinces, at \$206 per capita, versus \$309 as the national per capita average, and it was nearly \$50 per person behind the next lowest province, Manitoba.⁸
- In 2013-14, the British Columbia Arts Council brought its annual budget to a record high of \$24 million. This is compared to 2012-13 levels of \$16.8 million.⁹

The 2014 B.C Budget is an improvement over past years but still low on a national average. In reference to the 2014 B.C. Budget, Rob Gloor, Alliance for the Arts and Culture, B.C. said: "*One should note that these 2013-2014 increases were good news for the B.C. arts sector after so many years with the lowest funding in Canada but it was still a small step toward overall improvement in cultural investment, and the 2014-2015 budget has no further increases.*"

Conclusion

For B.C.'s public arts and cultural sector to move into the future with B.C.'s Creative Future's Strategy and help build a provincial creative workforce for our business community, consistent and long term funding in B.C.'s public art galleries, museums and cultural organizations is an investment in our future economy.

THE CHAMBER RECOMMENDS

That the Provincial Government:

⁷ Jeanotte, M. Sharon. *Overview. Flat-lined but Still Alive: Overview of the 2012-13 Provincial and Territorial Budgets from the Perspective of the Arts and Culture Sector.* Canadian Conference of the Arts, University of Ottawa. 2013.

⁸ Beale, Alison. *The Drought Continues: Analysis of the 2012-13 British Columbia Budget from the Perspective of Arts, Culture and Heritage.* Flat-lined but Still Alive: Overview of the 2012-13 Provincial and Territorial Budgets from the Perspective of the Arts and Culture Sector. Canadian Conference of the Arts, University of Ottawa. 2013.

⁹ Jeannotte, M. Sharon and Alain Pineau. *Gloom and Glee: Analyses of the Provincial and Territorial 2013-2014 Budgets from the Perspective of Arts, Culture and Heritage.* Centre on Governance, University of Ottawa. 2013.

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1. Work with municipal governments to make a provincial capital fund that British Columbia's municipalities can access for investment in long term strategic arts and culture infrastructure for public art galleries, museums and cultural organizations;
2. Conduct a review of the current BC Arts Council structure and inequities to ensure provincial dollars are adequately distributed throughout the Province. Further investment specifically allocated to British Columbia's public art galleries', museums' and cultural organizations' operations; and
3. Recognize the need to provide adequate, consistent year round operational funding to public art galleries, museums and cultural organizations so they can continue to operate as the foundations and hubs for all other arts and culture activities in a community.

MAINTAINING BACK COUNTRY ACCESS TO INCREASE TOURISM AND HELP ENSURE THE ECONOMIC STABILITY OF RURAL B.C. (2014)

British Columbia is positioned a quality tourism destination offering exceptional outdoor recreational activities. Nature based and adventure tourism activities are arguably British Columbia's and definitely North and Central B.C.'s core tourism experiences.

Critical to maintaining and enhancing the quality of this experience is the management of the public land base to facilitate both commercial activities, (i.e. forestry, silviculture) and recreational outdoor activities. British Columbia's ability to achieve its tourism vision and objectives requires a plan for commercial and recreational land use that take into account the potential for stakeholder cooperation and collaboration to enhance opportunities for economic growth.

"B.C.'s recreation sites and trails will be sought after for their outstanding rugged and real outdoor experiences¹."

Currently many of our recreational areas are closed from the middle of September to the middle of May. Back country access is limited as forestry roads are deactivated by logging companies looking to reduce liability exposure or by the provincial government looking to do the same. This has had a detrimental effect on tourism throughout the Province and is not in keeping with the B.C. Governments tourism vision: *"The government of British Columbia has identified tourism a key element of both the Families First Agenda and Canada Starts Here: The BC Jobs Plan. This strategy will help the sector make and even bigger contribution to the well-being of British Columbians, providing more jobs, export income and tax revenues²."*

The B.C. government has pledged to "assist in the creation of a more dynamic, diversified and sustainable tourism sector that fosters strategic partnerships and collaborative initiatives³." And "enabling recreation sites and trails across B.C. to be positioned as an integral tourism asset to communities⁴."

Enhancing our park system and facilitating back country access is a key priority for our stakeholders and

1 British Columbia Market Development Plan for Recreation Sites and Trails 2008-2015

2 Gaining the Edge: A Five Year Strategy for Tourism in British Columbia 2012-2016

3 2008 Recreation Sites and Trails Market Development Plan

4 ibid

JOBS, TOURISM AND SKILLS TRAINING

for the Chamber of Commerce as we seek to diversify our economy.

As deactivation of forest service roads adversely affects tourism and recreation opportunities and limiting park access seven months out of the year is detrimental to the growth of tourism as a provincial economic driver we would like to propose that:

The Province of British Columbia promotes tourism and encourages the advertising of the great variety of outdoor touring experiences available in British Columbia, and given that many of these opportunities for experience are denied to touring visitors and to our own citizens because many prime recreation areas are rendered inaccessible due to the closure of forest access roads and due to provincial campsites, parks and other attractions being closed from early September to the end of May in each year,

THE CHAMBER RECOMMENDS

That the Provincial Government works with stakeholders to develop a plan to determine the feasibility of designating certain key forest roads that are no longer required for industrial use and would otherwise be permanently deactivated as recreation roads and trails and to develop a reasonable structure for ongoing support and funding for development, promotion and ongoing maintenance.

PROVIDING CERTAINTY FOR BUSINESS THROUGH THE TIMELY ADMINISTRATION OF JUSTICE (2014)

The ability to access the justice system to resolve issues in a timely and cost-effective manner is a foundation upon which our society is based. An effective justice system supports the ability for business to thrive by enabling an expeditious resolution of legal matters that interrupt the lives of business owners and their employees.

Over the last decade, the provincial government, the courts and others have implemented many measures which have improved efficiencies in the justice system. These have included:

- Mandatory mediation in the provincial court to reduce the number of disputes that take valuable court time;
- Use of video technology in the provincial court to reduce the cost to the criminal justice system of transporting prisoners for short procedural hearings and to connect judges sitting anywhere in the province to a courtroom where his or her services are needed;
- Moving hundreds of impaired driving cases out of the courts through use of the immediate roadside prohibition;
- The introduction of a new Family Law Act, with a focus on helping people settle their disputes early and out of court, where possible;
- Development of the Crown Counsel File Ownership Project to reduce the number of Crown Counsel and administrative staff who engage with each prosecution file;
- Creation of Justice Access Centres in Vancouver, Victoria and Nanaimo to assist citizens in navigating the legal system or resolve issues outside the legal system;
- The Provincial Court Scheduling Project, implemented in November 2013, to ensure that our courts make optimal use of court rooms and of judges' time; and
- Introduction of a Civil Resolution Tribunal, which will be operational in 2015, to assist citizens in resolving strata disputes and some small claims matters online.

While these reform efforts have created significant efficiencies, there continue to be cost pressures and reduced public spending on the court system and on certain aspects of the justice system causing delays in the courts for all, including business.

Small businesses in British Columbia rely on an efficient and fair legal system to resolve business disputes that arise from time to time. As the lifeblood of the B.C. economy, small business accounts for 98% of all B.C. businesses and 56% of all private sector employment. Small business is vital to the economic success and prosperity of British Columbia.

Today, it typically takes about 9.5 months from the time a reply in a civil claim (the type of claim most businesses are involved in) is filed in the provincial court until a half-day trial can take place. The provincial court's objective, as set by the Chief Judge, is six months between the filing of the reply and the trial.

These delays don't just add costs to the justice system, but also add costs to companies doing business in B.C. Whether it's collecting a debt, settling a shareholders' dispute, or a potential hiring decision delayed because court time isn't available, the fact is reducing court backlogs will help business resolve many civil cases thus getting owners and operators back to growing their business and creating jobs for British Columbians.

Three main factors contribute to these delays: inadequate staffing by the Court Services Branch; an inadequate number of Provincial Court Judges; and an increase in the number of self-represented litigants in the court system, each of which is described further below:

Court Services Branch

The Court Services Branch provides administration, as well as prisoner escort and court security support, to the Court of Appeal, Supreme Court of B.C. and Provincial Court. In a speech in late 2011, then Chief Justice Bauman of the Supreme Court noted that the court had courtrooms that could not proceed because a clerk was not available or because of a shortage of sheriffs to provide security.

Provincial Court Judges

The B.C. Government is responsible for appointing judges to the Provincial Court of British Columbia. Provincial court judges decide civil disputes, including business disputes, for amounts under \$25,000, as well as the vast majority of criminal and family law disputes in B.C.

In December 2005, there were 143.65 full-time equivalent judges on the provincial court. As of October 31, 2013, there were 127.15, a reduction of about 16 judges.

The decline in the number of Provincial Court judges since 2005 has caused, at various times over the last seven years, an increase in the length of time needed to resolve business disputes and an increase in the number of criminal law charges stayed, i.e. thrown out, because of delays in getting to trial. For instance, in both September 2010 and March 2012, the provincial court reported that the average time to trial for a two-day civil claim was approximately 15 months, whereas the court's objective is an average of eight months.

The B.C. Government has committed to developing an appropriate methodology for determining the appropriate fixed "judicial complement", i.e. the number of provincial court judges needed in the province, by March 2014. The publication and adherence to this methodology will put B.C. in the same position as the federal government, which for many years has applied a fixed complement for the appointment of B.C. Supreme Court and Court of Appeal judges.

The use of a fixed judicial complement will assist in allowing the judicial system to deal with the delays and backlogs of civil claims and eliminate the current ongoing debate of whether or not more judges are required. The provincial government should move immediately to appoint the necessary number of judges once the methodology and complement are published.

Self-Represented Litigants

A further source of delays and backlogs in the court system is the increase in people who do not have the assistance of a lawyer. Cases without lawyers generally take much greater court time. The increase in the number of self-represented litigants over the last 20 years is directly correlated to the decrease in legal aid. British Columbia's per capita expenditure for legal aid is 10th out of the 13 provinces and territories in Canada and has severely limited legal assistance for those who cannot pay for a lawyer.

In the B.C. Provincial Court, since legal aid is not available for most family law cases, 90 to 95 percent of family law cases involve a person who is unrepresented by legal counsel. The Legal Services Society, who administers legal aid, estimates that over the past four years, 43% of the people who have applied for family legal aid have been denied assistance (approximately 4000 per year). This does not include the thousands of individuals who do not apply for legal aid, knowing already that they do not qualify.

Judge Robert Hamilton recently commented on a family law trial over which he presided, noting that if legal aid had been available to the parties:

*“...that trial, I am sure, would have been completed in six days. Instead it’s going to take 22. Sixteen days of court time have been taken away from a lineup that goes...miles down the road... people waiting for court time to get their case before the court. **And it really is not only a tragedy for those three parents, but for the system and all the people waiting to get access to the system.**” (emphasis added)*

Since all parties in the court system draw from the same resources and pool of judges, these delays affect us all. Businesses hoping to resolve their own leasehold, contract or other disputes have their trials “bumped” because the family law dispute goes much longer than necessary. The costs of a trial being “bumped” are significant – businesses pay their lawyers to prepare for the same case two or more times and witnesses travelling from far distances are told to go home and come back months later. The costs to business from these delays can easily be thousands of dollars.

Businesses also suffer from lost employee time when their own employees cannot get their family law matters resolved quickly because of delays due to self-represented litigants.

Conclusion

Civil, criminal and family court cases are all handled by the same court system. Any delay in a criminal or family case slows down all cases especially civil cases involving businesses. Enhancing the Court Service Branch, maintaining an appropriate level of Provincial Court judges and providing adequate funding to legal aid will go a long way to dealing with the delays and backlog, which in the end will support businesses along with the families and communities that depend on those businesses.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Adopt a methodology for appointing a fixed number of Provincial Court Judges as soon as possible and commit to appointing the required number of judges by no later than January 1, 2015;
2. Commit to increased, long term, stable funding for the Court Services Branch;
3. Commit to increased long term stable funding for the Legal Services Society and increase legal aid funding in British Columbia to the national per capita average, as resources allow; and
4. Continue to work with the courts and other justice sector participants to develop efficiencies within the justice system.

NATURAL GAS DEVELOPMENT

VALUE ADDED NATURAL GAS DEVELOPMENT FOR B.C. (2016)

Background

B.C. has an abundance of natural gas in the North East portion of the province. The BC Oil and Gas Commission record of reserves remaining, as of 2014, is 1,443.9 billion m³ of raw gas (51.0 trillion cubic feet (TCF) raw),¹ which was an increase of 20.6% from 2013. Prospective Potential Resource as estimated at Montney 1,965 (TCF), Horn River 448 (TCF), Liard 210 (TCF), Cordova 200 (TCF) for a total of over 2823 TCF.²

Production from B.C. in 2014 was 1.575 TCF or 45 billion m³ with the reserves to production ration estimated at over 30 years.³

The natural gas reserves and the prospective potential resources in B.C. represent a very significant economic resource. Natural gas used to be exported east from B.C. and Alberta to markets in the north eastern U.S. and south from B.C. to western coast markets in the U.S. Increasingly, these markets are now being served by the abundant and inexpensive U.S. natural shale gas supplies. Also, B.C. gas is extensively used in various oil sands production processes. However, with the collapse of oil prices, the future prospects for the oil sands market are significantly diminished. In B.C., the proposed liquefied natural gas (LNG) industry is expected to become a major export outlet for B.C. natural gas to world markets. It appears that the LNG developments could be delayed and perhaps less significant than hoped for as a consequence of a collapse in the LNG export market prices and significant supply availability from elsewhere.

The result of these market reduction pressures is that the economic value of B.C. gas could be increasingly locked out from access to markets.

B.C. is a net importer of oil refined products (diesel, gasoline & jet fuel), primarily from Alberta refineries and B.C. has two refineries which produce approximately ½ of B.C.'s requirements.

The prices for natural gas used to be aligned with the prices for oil refined products, but several years ago natural gas became so abundant and inexpensive to produce that it began to compete with coal for production of electricity.

Prices for oil have collapsed from well over \$100/barrel into the range of \$30/bbl to \$40/bbl

Prices for natural gas have collapsed from well over \$8/GJ to \$2/GJ.

Business Issue

B.C.'s natural gas resources are used to serve residential, commercial and industrial purposes in B.C., but these uses are small by comparison to the total B.C. reserves and prospective potential resource.

For economic development purposes, it would be useful if B.C. were able to develop alternative value added uses for the B.C. natural gas resources in order to unlock the economic value of the resource for B.C. and for the benefit of the economy and communities in B.C.

1 BC Oil & Gas Commission, Hydrocarbon and By-product Reserves in BC 2014, Table 1, Page 4

2 BC Oil & Gas Commission, Hydrocarbon and By-product Reserves in BC 2012, Appendix B

3 BC Oil & Gas Commission, Hydrocarbon and By-product Reserves in BC 2014, Figure 5, Page 8

NATURAL GAS DEVELOPMENT

Value added to production of natural gas could enable the resource to compete in other markets and provide an outlet for a commodity and reserve resource, which may otherwise stay locked in with no economic value to B.C.

Monetizing the natural gas resource in B.C. should be a key priority for the B.C. government to augment its LNG strategy and other economic development initiatives.

Potential Solution

One such potential solution would be to develop a gas-to-liquids (GTL) industry in B.C. A GTL industry would expect natural gas to compete against oil refined products to access such markets as the diesel and gasoline product markets. These markets are very substantial world-wide markets, which are growing significantly year over year as the global economy continues to develop.

The GTL process involves the conversion of natural gas to diesel 80% and naphtha 20% through a process called the Fischer Tropsch (FT) process. First, the natural gas is reformed into synthetic gas (Syngas), which is composed of carbon monoxide (CO) and hydrogen (H₂). Second, the syngas is converted into longer chain hydrocarbons or waxes. Third, these waxes are refined by hydrocracking with hydrogen into lighter distillate, shorter carbon chain fuels, such as diesel and naphtha.

Also, CO₂ along with hydrogen can be turned into Syngas and then into diesel and naphtha, with the result being a carbon neutral diesel for that percentage of CO₂ absorbed into the process.

The end product of the GTL process would be a synthetic diesel with very clean post combustion properties versus oil refined diesel. For example, synthetic diesel has an 89% reduction in particulate matter and 99% reduction in aromatic hydrocarbons, which are both cancer causing. There is also a 90% reduction in sulphur versus a low sulphur European standard.

The product can be seamlessly utilized in the existing fuel infrastructure. It has virtually no negative impact on engine performance, but provides some significant improvements due to a fast clean burn rate and lack of soot.

This process is expected to be able to produce a synthetic diesel, which can compete with oil refined diesel at current prices of oil and natural gas.

New technology developments in the FT process, and with other processes, are making it feasible to commercialize this approach to adding value to natural gas at a smaller scale than some of the existing synthetic fuel plants owned by Shell and Sasol.

B.C. could locate such a natural gas value added plant in B.C. and provide significant economic development for the province. While not on the scale of the LNG projects, GTL projects could provide significant economic development for the province.

Such a GTL project would potentially offer economic development investment in the range of a \$1 to \$2 billion initially and could potentially grow into an export industry for B.C. Such a project would potentially employ 100s of people and produce additional government revenues with a present value of \$2 to \$6 billion, based on the market conditions throughout the project life.

Such economic development would be a welcome response to declines in the natural gas industry

NATURAL GAS DEVELOPMENT

development expected in northeast B.C.

Government Assistance or Incentives

The government has a process for working with major project proposals in B.C. and is able to focus on providing assistance to parties contemplating developments in B.C. Typically, these processes may result in a project development agreement with the Government of B.C. to help secure the economics of a project.

Such agreements have been signed for LNG developments and provide a precedent for projects to be assured of a reasonable context within which to make their investment.

Governments can be helpful in establishing markets for products, ensuring that government taxation does not change to a point of crippling the economics of the project, deferring taxes for a period of time to enable timely capital investment recovery, providing supportive infrastructure such as transportation, ensuring smooth regulatory and permit approval processes, supporting working relationships with First Nations, recognizing externality benefits of products in markets financially and providing support for innovation and technological development which advance key interest for the B.C. economy.

Government incentives should be commensurate with the future benefits for governments and should focus on the elements of the project economics, which would not be delivered without the project, such as royalties, income taxes, property taxes and market values delivered.

Other Examples of Government Assistance for Economic Development

FortisBC Energy Inc., in developing its Natural Gas Transportation (NGT) business was supported by the B.C. government in approving a subsidy of \$100 million for providing LNG into the heavy duty transportation markets, displacing diesel and resulting in a cleaner combustion emissions profile as well as reduced carbon dioxide emissions.

The LNG industry was supported by the provincial and federal governments with specific income tax provisions, such a lower tax rates and advanced depreciation rates enabling faster capital investment recovery.

The B.C. and federal governments are supporting the development of a demonstration plant for technology which can capture CO₂ from the air and recycle it back into a fuel. These are initial research and development investments.

The B.C. government has on a number of occasions used electricity pricing, or terms and conditions, to provide support to a sector of the economy, which has experienced significantly challenging economic circumstances and needs support to continue operating under those conditions. These initiatives have been undertaken to enable security for the local economies of affected towns.

Government support for economic development in the province is a common function of government, which is done for the greater benefit of the provincial economy and the future robustness and performance of the B.C. economy.

THE CHAMBER RECOMMENDS

NATURAL GAS DEVELOPMENT

That the Provincial Government:

1. Support Value Added Development for B.C.'s Natural Gas; and
2. Provide reasonable cost effective benefits & incentives to help secure the economics of a GTL industry in B.C.

NATURAL GAS DEVELOPMENT - HOUSING

ADDRESSING THE HOUSING CRUNCH THROUGH INCREASING SUPPLY (2016)

Issue

The cost of housing in B.C.'s major centres is rising. Demand for housing is out growing housing supply in both new builds and available rentals. As a result, B.C. residents are feeling the pressure of increased prices. The Canadian Mortgage and Housing Corporation (CMHC) states that housing starts in B.C. are relatively stable while sales are expected to grow in 2016.¹ The CMHC also projects a rise in average housing prices across the province, ranging from between \$594,600 and \$668,000 in 2016 to between \$577,700 and \$699,700 in 2017.

Not only is the price of purchasing a home increasing, but rental vacancy rates across B.C. are alarmingly low, especially when compared to other Canadian regional centres. All B.C. centres measured by the CMHC are below 1% vacancy. The next lowest vacancy rates are Guelph, Barrie and Toronto with rates between 1.2% and 1.6%. The continued trend of falling vacancy in B.C. would indicate increases in demand for rental stock, but insufficient supply growth as of late.

Apartment Vacancy Rates (B.C.)		
Regional Centre	2014	2015
Abbotsford-Mission	3.1	0.8
Kelowna	1.0	0.7
Vancouver	1.0	0.8
Victoria	1.5	0.6

Source: CMHC Rental Market Report, Fall 2015

Apartment Vacancy Rates (Canada)		
Regional Centre	2014	2015
Barrie	1.6	1.3
Halifax	3.8	3.4
Montreal	3.4	4.0
Saskatoon	3.4	6.5
Toronto	1.6	1.6

Source: CMHC Rental Market Report, Fall 2015

The rising cost of housing and lack of rental stock has been noted to be a barrier to the attraction and retention of labour in high demand regions such as Vancouver, Kelowna and Victoria. With an estimated 1 million people moving to the Greater Vancouver region alone, upward pressure on prices will increase if the supply of housing doesn't increase at a similar rate.²

The housing crunch in the province's major centres is a multi-faceted issue. The nature of the problem is such that there can be no silver bullet with which to solve the problem, but many solutions working in tandem have the potential to relieve pressures currently exerted on the market. One of these solutions is to increase the supply of homes through density and housing alternatives.

¹ CMHC Housing Market Outlook, October 2015

² Metro Vancouver Regional Growth Strategy, 2011

NATURAL GAS DEVELOPMENT - HOUSING

The concept of increasing density is to provide more dwellings per unit of land. This allows an increased efficiency for land use and can increase housing stock for both purchase and rental. Increasing density does not have to be limited to constructing towers. Housing diversity could include building with the option for “lock off suites”, duplexes, triplexes, basement suites, carriage houses, or low-mid-rise buildings. In fact, best practices would indicate that a variety of solutions would create a more resilient housing market that allows for people of all economic backgrounds to have access to housing.

Challenges to Increasing Supply

There are barriers that exist at all levels of government. The following is not an exhaustive list of some of those barriers.

Municipal barriers differ across jurisdictions and can include long permitting times or re-zoning processes that can be easily stalled by small groups of residents. But one of the largest barriers to increasing supply of housing is the unpredictability of community amenity contributions (CACs). At the moment, municipalities have the ability to demand CACs. While CACs provide funding for necessary amenities, the value of these CACs is often unpredictable. The provincial government has published a guide of best practices on CACs, but it is not enshrined in legislation and is therefore not enforceable. In fact, the provincial government warns local governments in their guiding document: “It is important that local governments recognize the relationship between CACs and housing affordability and make efforts to balance the opportunity to obtain community amenities with the goal of helping families to secure affordable housing.”

The Strata Property Act at the provincial level allows strata to limit the amount of rentals within their jurisdiction, or even ban rentals all together. Removing this ability from strata would result in an increase in available rental property.

At the federal level, the treatment of rental income as passive instead of active business income has also contributed to a lack of development of purpose-built rental buildings. If there were changes to the federal tax code to allow for rental income to be claimed as active income, there would be a greater incentive to build rental properties.

At all levels of government, these barriers should be re-examined as to whether or not the benefit in their specific area is worth the cost to housing.

Balancing Industrial and Residential Land Use

When looking at increasing housing supply, it is important to balance the need for economic growth through the preservation of trade-enabling industrial land. A 2015 study by Site Economics Ltd estimated that roughly 1,500 – 3,000 more acres of trade-enabling industrial lands are required in the next five to ten years to meet the demands of a growing Canadian economy. As well, diverse land uses are important for building sustainable communities. Retaining industrial land ensures high paying employment within the city core and contributes significantly to municipalities by subsidizing the residential tax base. For every \$1 in taxes, industrial lands typically receive on average \$0.25 in services.

Because of this need for industrial uses to provide strong economic conditions, we must look to more efficient uses of currently zoned residential land. This means increasing density and allowing for alternative housing on existing residential lands.

NATURAL GAS DEVELOPMENT - HOUSING

Protecting Equity

Housing is a complex issue that involves more than just housing supply, but includes variety of housing options, job and salary growth, and foreign investment in the region as well. In order to solve this issue, a comprehensive approach is definitely needed by all levels of government. Preferably, this approach will stabilize the market while preventing the loss of equity for current property owners. With such high demand for housing in B.C., it makes sense to incent increased housing supply through density as a preliminary measure to stabilize the market.

THE CHAMBER RECOMMENDS

That the Provincial Government work with municipalities to:

1. Identify and remove administrative barriers at all levels of government that slow increased density;
2. Identify and implement incentives for the private sector to increase the housing supply through density, alternative and more efficient housing solutions on land that is currently zoned for residential; and
3. Identify and implement incentives that will stimulate the diversification of housing stock.

AFFORDABLE RENTAL HOUSING AND A FLUID LABOUR MARKET (2016)

To thrive and grow, businesses and industries look to locate in areas that provide access to resources, transportation hubs, and employees. Employees look to locate close to employment and in areas they can afford. Whether it is in the Lower Mainland or in other areas of the province, affordable housing choices are required in order to be economically competitive and to attract and keep skilled workers. An adequate supply of housing with reasonable transportation costs is critical for economic growth.¹²

However, as with most regions in Canada, urban centers are experiencing a rapid increase in housing costs. In a study done by Vancity³, the cost of housing was determined to inhibit young workers from coming or staying in the greater Vancouver region. Similar studies have pointed out that the rise of real estate values is greatly outpacing incomes and the gap is growing. Very few workers receive salary increases of 10-20% per year. In fact, Vancity's findings are that salary growth is slowing with the past five years averaging 1.3%. This, claims Vancity, is why Millennials are exiting the Lower Mainland labour market for greener pastures where employment and housing opportunities co-exist. It may also deter in-migration and immigration of skilled workers to locations where skills are required.

Vancity's analysis of salaries that provide insufficient incomes for purchasing, may be enough for rental units – if available: mid-level managers, and senior administrators, computer programmers, and technicians, registered nurses and social workers, researchers, counselors, food industry workers, and contractors. The list of skilled workers unable to purchase in Metro Vancouver is long. This improves outside urban areas and into the farther regions of the province, but employment opportunities diminish.

1 TD Bank Financial Group, 2003. *Affordable Housing in Canada: In Search of a New Paradigm*.

2 Metro Vancouver, 2015. *Housing and Transportation Cost Burden Study*.

3 Vancity, May 2015. *Help wanted: salaries, affordability and the exodus of labour from Metro Vancouver*.

https://www.vancity.com/AboutVancity/News/MediaReleases/Archives/MediaReleases2015/JobStudy_May20_2015/

NATURAL GAS DEVELOPMENT - HOUSING

The rental market, though, is challenging with a B.C. average vacancy rate of 1.2%⁴, a decrease from 2014, and the Lower Mainland rate approaching 0; the pressure on existing rental stock is inhibiting immigration of Canadian skilled labour, particularly where they are needed the most by BC employers. From October 2014 to October 2015, only 1,900 purpose built rentals units were constructed throughout BC (CMHC). These are either new or renovated units returned to the market.

Metro Vancouver anticipates 64,900 new rental units will be required to meet demand in the next 10 years: 21,400 low-income (<\$30k) rentals, 25,400 low to moderate income (\$30-\$50k) rentals, and 18,100 market rentals for those who earn \$50k or more per year.⁵

Rents are rising on average 3.7% in response to market pressure, compared to 2.4% from the previous year – despite current rent controls of +2.9%⁶. The average turnover rate in the Lower Mainland is 18.8%⁷ providing an opportunity to substantially raise unit rents with each new tenant. Further, there is a growing trend by property managers or landlords to require tenants nearing the end of a fixed-term lease to sign a new agreement if they wish to stay. As it is considered a brand new agreement, the new rent can be set without imposed limits.⁸ With few options, most renters have no choice but to sign for a much larger rental increase.

As an incentive to developers, it would be desirable to remove rent controls, but until there is sufficient rental stock, a lack of adequate supply will cause rents to rise rapidly out of reach of all but a few with sufficient income – similar to the current housing market. Therefore, new or expanded incentives are required for developers to construct purpose built rentals in the short-term while continuing to find a more sustainable return on investment for developers in the long-term.

Historically, incentives through government programs (federal and in partnership with provinces) provided developers with low interest loans to construct non-market units, most of which were targeted to those earning less than the median income for a region. The first program under the National Housing Act in 1938 allowed for construction of low-rent housing. In 1959, the act expanded to include partnerships with provinces to fund publicly owned and provincially managed housing for low-income families, seniors and the disabled. In 1970, a \$200 million stimulus program for low-income housing, culminating in a 1974 expansion to include co-operatives, public and non-profit housing for mixed styles and sizes for low to modest incomes. At the same time, the federal government encouraged private market rental development by insuring mortgages and providing direct loans in smaller communities, plus grants and taxation concessions including multiple-unit residential-building deductions, assisted rental programs and a rental supply plan.⁹

By 1986, B.C. had 8% of the 253,500 public housing units in Canada, but the programs were undergoing reviews and cut-backs. CMHC focused limited funding on a maintenance program for 12,800 units per year. By 1993, all social housing programs ceased; most market rental- assistance programs had ended, and there was a shift to off-load subsidized housing to non-profits and provincial coffers. B.C. currently is one of few provinces that will subsidize development of social housing and provides for vulnerable populations, e.g., the SAFER program for seniors,¹⁰ which allows seniors to remain in their homes with

4 CMHC, Fall 2015. *Rental market report – British Columbia Highlights*. www.cmhc.ca/housingmarketinformation

5 Metro Vancouver, 2015. *Housing and Transportation Cost Burden Study*, p.24.

6 <http://www2.gov.bc.ca/gov/content/housing-tenancy/residential-tenancies/during-a-tenancy/rent-increases>

7 Canada Mortgage and Housing Corporation, March 2016. *Tenant Turnover Rate: A New Measure of Rental Market Conditions*.

8 Tenant Resource & Advisory Centre, <http://tenants.bc.ca/month-to-month-vs-fixed-term/>

9 McAfee, Ann, 2009/2015. *Housing and Housing Policy*. <http://www.thecanadianencyclopedia.ca/en/article/housing-and-housing-policy/>

10 www.bchousing.org

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provincial support.

There are programs to help with the development of social housing – a recent announcement from the Province of B.C. to partner with non-profits is an example. However, to address the projected housing needs for low to mid-income workers that B.C. will need to keep up with economic growth, a stimulus package will be required not dissimilar to the Federal Housing program of the 1970s – to support both non-market and market rental development: density bonusing and 20% social housing set-asides for new development are unable to provide sufficient units fast enough to meet demand.

There is a gap in the upper-low income and mid-range incomes for rental accommodation. For example, the Lower Mainland's current median income is \$63,000 (most renters fall under the median¹¹), and an average 2-bedroom suite is \$1,287 requiring an income of \$51,480 in Vancouver¹², the problem is not affordability for Vancity's list of skilled workers, it is a deficit of mid-range lightly subsidized to market rental units. There is opportunity for developers to reach this market.

The units that currently exist, developed with assistance of past government programs, are nearing end-of-life and require major upgrades or outright replacement. A combined federal-provincial government program to provide a combination of guaranteed loans, grants, and taxation offsets will encourage re-investment in current affordable stock.

To address the shortfall of market rental units, CMHC, in conjunction with provincial and local governments, can develop property tax, income tax, and capital gains tax incentive policies, in conjunction with other levers, to provide incentives for innovative development. It will require cooperation to develop a program utilizing current tax tools to invest in purpose built rental construction. Government's assistance is required to help overcome access to land – however, through land remediation grants, assistance in land accumulation, and the appropriate use of public land, developers, in partnership with provincial and federal governments, can begin to address the rental deficit. As Vancity pointed out, there is a market of skilled workers ready to move in.

The investment of government to incentivize rental market construction will result in increased economic development for the community and the province. The Center for Housing Policy¹³ collated a number of studies that demonstrate clearly the connection between the development of low- to mid-level income housing units and employment. They concluded that not only are employers able to attract the best and the brightest, there are spill-over benefits for the local economy.

The solution is for the Province of British Columbia to work with federal and local colleagues and find ways to create incentives and opportunities to save and increase the current rental stock, protect and expand co-op and co-housing units, and encourage innovative solutions. British Columbia is doing well economically; however, to continue to do so, we need to ensure that a lack of housing for skilled labour does not become a barrier to future economic growth.

THE CHAMBER RECOMMENDS

That the Provincial Government:

11 Metro Vancouver, 2015. *Housing and Transportation Cost Burden Study*.

12 Zon, Noah. 2015. *Renewing Canada's Social Architecture: Access to Affordable Housing*.

13 2011, Center for Housing Policy, *The role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development: A Review of the Literature*.

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1. Work with the Federal Government to develop tax and other incentives for purpose built market rental housing units for low- to mid-range income levels, using innovative designs and locating near transit hubs; and
2. Work to combine other social program supports to help support those in the lower income ranges to access market rentals, such as expanding the SAFER program to other vulnerable populations.

RENT CONTROL: PHASING OUT PROVINCIAL CONTROL OF RENT INCREASES (2014)

Rent control has been – and continues to be – a widely debated topic. Economists and business groups generally take a position against rent controls, while socially-minded advocacy groups generally stand in support of controlling residential rents. The former groups argue that rental housing stock decreases in both quantity and quality under rent controls; the latter groups argue that lower income individuals require protection from market effects.

Rent control policy in B.C. has become increasingly restrictive with successive provincial governments. In the 1980's, the Bennett government allowed unlimited rent increases, with tenants only able to challenge rent increases above 15%. In the 1990's, the B.C. government continued to not limit the amount of a rent increase, but required the landlord to justify increases in response to all tenant challenges. And in 2002, the new provincial government introduced the most stringent rent controls establishing limits on rent increases. Currently, rent control policy in B.C. limits rent increases during continuous occupancy (to inflation +2%), with landlords only able to increase rent to prices the market will bear when a new renter enters into a new rental agreement on a vacant unit, a practice common referred to as rent decontrol.¹

The Chamber of Commerce has more typically favoured free enterprise market economy principles, while also respecting the need for regulations with respect to fair treatment. To that end, the Chamber believes that current rent control policy does not exhibit the right balance of fairness and market efficiency. It should be acknowledged that the B.C. government does not limit increases for its Crown Corporation services to the public to inflation +2%, regulated utility services are not similarly limited, and manufactured (mobile) homes that are rented to tenants do not have the same stringent rent controls as built housing.

The current limits on allowable rent increases (inflation +2%) effectively creates a disincentive for the production of new rental housing stock by creating large opportunity costs (the cost of the foregone alternative) for builders/developers. The limit artificially depresses the most important determinant of long-run profitability and returns on investment – rents.

Developers have much greater opportunity to maximize returns on their investment in properties that generate revenue based on market pricing (e.g. sales of single family homes and condominiums), accordingly, tighter rent control policies are a key determinant of rental accommodation supply/demand problems.² The problem of low supply of residential rental accommodation can be a significant barrier to employment, particularly in locations that have high home ownership costs. Employers who hire for short-to-medium durations are especially constrained by a lack of suitable rental stock. The BC Chamber

¹ Saskatchewan Chamber of Commerce, *Issue in Focus: Rent Control in Saskatchewan*, Sept. 2011.

² Miller, Benjamin, & North, 2014

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of Commerce has direct feedback from a number of local Chambers with very active economic development in their communities and key shortages of rental accommodation.

With low incentive to build new residential rental housing, rental stock continues to depreciate. In B.C., there are approximately 2,000,000 households³ and of those approximately 563,000 are rental units.⁴ The vast majority of rental units are over 40-50 years old and virtually no new purpose built rental units have been created since 1988.⁵ For example, purpose built rental housing in Vancouver (131,500 units) has original construction dates between 1961 and 1970 for 42% of its stock, and construction dates of 1950 and 1960 for another 24%. Therefore, it is not surprising that the condition of the rental stock in Vancouver has less than 5% of units in good condition, 6-14% in fair condition, 15-30% in poor condition and over 30% in critical condition.⁶ The problem with older rental units is that they are, in many cases, no longer adequate in terms of the electrical wiring, plumbing, ventilation, boilers, roofs, building envelopes, parking and amenities. Often the highest and best use of older rental stock is to demolish it and rebuild.⁷

The rental housing stock in B.C. is generally old and is not in good condition. It is priced below market values in many cases. And most importantly, it is in low supply with significant demand, in part, because of B.C.'s trend toward increasingly stringent rent control policy.

B.C.'s rent control policy, the Residential Tenancy Act (RTA), contains many protections for renters including, but not limited to, controls on tenancy agreements, security and damage deposits, dispute resolution, site inspections, discrimination, notification and maximum allowable rent increases. The Residential Tenancy Branch is a large government bureaucracy created to assist renters and landlords with compliance via information and rent-related services.⁸

Section 43 of the RTA, among other things, requires that rent increases be calculated in accordance with the regulations. Requirements for timing of rent increases and notice to tenant provisions are set out in Section 42 of the RTA. The Residential Tenancy Regulations (RTR) in Section 22 set out the basis for the determination of the rate allowed and in Section 23 sets out the grounds for allowing additional rent increases. Policy Guideline 37 outlines the details of the maximum allowable rent increase, specifically: proper written notice periods (3 months in advance of increase), frequency of increases (limited to annual increases for continuous occupants), and maximum annual increase.

The allowable increase is held to inflation +2%. The inflation rate is based on a 12-month average percent change in the all-items consumer price index (CPI) for B.C. The CPI tracks prices for food (17.15%), shelter (27.05%), household (10.61%), clothing (5.06%), transportation (19.4%), health care (4.81%), recreation (12.46%) and alcohol & tobacco (3.41%). Upon analysis the portion of the CPI relevant to rental housing is about 8.6% of the CPI total. These limited items represent only 65.8% of the costs of operating a rental building. Accordingly, the CPI is a poor proxy for covering the costs of operating a building.⁹

The RTA does allow landlords to apply for exemptions from the rental increase limits on a case-by-case

3 Statistics Canada & CMHC

4 BCNPHA

5 Landlord BC

6 Altus Group - City of Vancouver Rental Housing Study - 2009

7 Burgess, Crawley, Sullivan and Associates - 2008

8 Government of British Columbia, 2014

9 Burgess, Cawley, Sullivan & Associates, 2008

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basis.¹⁰ Some of these additional rent provisions are in Section 23(1)(a) of the RTR and are tied to comparison to other rents in the same area. However, the Residential Tenancy Office (RTO) requires such specific evidence, which is generally not available, that the provision is practically not very workable. As well, the legal costs of contested increases can be exorbitant.

Other provisions in Section 23(1)(b) allow for rent increase where significant repairs or renovations are done. However, the RTO requires that these have to be unforeseen repairs and renovations and nonrecurring within a specified time frame. Section 23(1)(c) permits additional rent increases if the landlord has incurred a financial loss. This requires provision of financial statements to prove the loss. This creates the problem of having to lose money before anything can be considered rather than anticipating the need. It seems patently unfair to require a landlord to prove they lost money in order to get a rent increase to cover the losses.

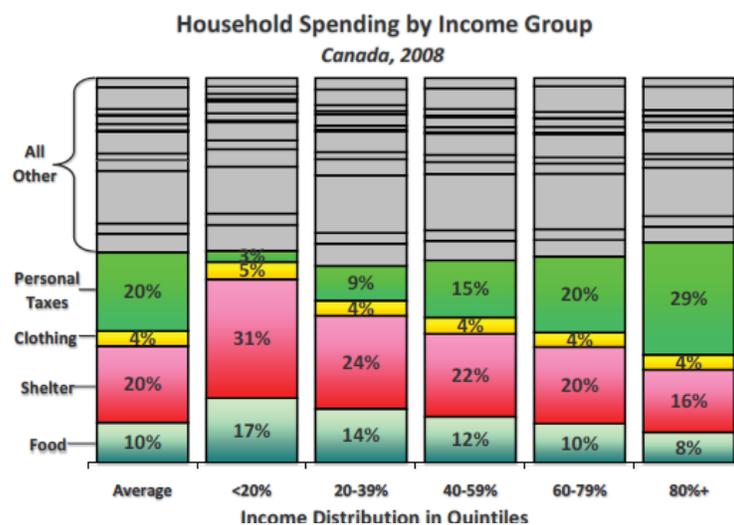
B.C.'s rent control policy is neither sensitive to localized issues of supply and demand for rental units, nor does it differentiate between affordable housing and premium accommodations. Affordable housing is frequently a concern raised with respect to the rental cost. The issue has been analyzed for average gross tenant household incomes versus average gross rents, such that the share of income that rentals amount to can be determined on average, as described below.

Analysis across 22 B.C. Census Agglomeration (CA) areas and 4 Census Metropolitan Area (CMA) regions, sheds light on the issues of affordable housing as they relate to rent.

Rent, as a percent of income, ranged from a low of 15.5 percent in Kitimat to a high of 25.8% in Kamloops for 2005/2006 data.

Household spending across Canada for 2008 show similar percentage costs for shelter with a clear offsetting proportion for personal taxes.¹¹

There are many existing government programs that provide necessary assistance to people in need, to ensure that lower income individuals and families have adequate accommodations. Some of these programs are: the Federal Guaranteed Income Supplement for Low Income Seniors, BC Shelter Aid for Elderly Renters (SAFER), BC Provincial Housing Program, BC Senior's Supplement, BC Regular Income Assistance, BC Hardship Assistance, BC Housing Rental Assistance Program, and a number of programs to assist people with disabilities. But rent controlled jurisdictions have a skewed distribution of rental housing, curtailing the supply and increasing the unmet needs for such housing.¹²



Jurisdictions *without* rent control have a normal distribution of affordable housing that meets the needs of

¹⁰ Government of British Columbia, 2012

¹¹ Urban Futures: In the Eye of the Beholder – Housing Affordability in British Columbia - 2010

¹² CATO Institute Policy Analysis 274 May 1997

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the market. In fact, absence of rent control will enable supply in the market to more adequately meet demand – a movement toward more, newer housing stock. Numerous national and international studies show this to be the case in jurisdictions without rent controls.

To illustrate this point, the 2013 Kelowna Rental Market Report shows a residential rental vacancy rate below 2% for six of the last ten years, with the 2013 vacancy rate falling to 1.8%. This very low vacancy rate (i.e. the lack of rental housing supply) is attributed to the combination of a slower pace of expansion of purpose-built rental apartments in 2013 compared to previous years, and an increase in demand for rental accommodations associated with improvements in the economy.¹³

This persistent problem led the City of Kelowna, Policy and Planning Department, to conduct a study of Kelowna's rental accommodation marketplace and the perceptions of private-sector developers. The results of this rental developer / landlord consultation process were published in 2010. In this report, 25% of developers surveyed cited rent controls as an economic barrier to building/operating rental housing developments, and further, that rent controls on units from the Residential Tenancy Branch played a role in preventing landlords from maintaining their rental stock.¹⁴

There are many stakeholders likely be involved in consultations with the provincial government with respect to any changes to the Residential Tenancy Act and its regulations. They include the TRAC (Tenant Resource and Advisory Centre), the PIVOT legal society, West Coast LEAF, Active Manufactured Homeowners Association, BC Public Interest Advocacy Centre, the Community Legal Assistance Centre and the Housing Justice Project. A joint paper from these groups is seeking 13 new control provisions, including increased levels of rent controls on tenant move out.¹⁵

Landlord BC is the association that represents the industry. They have been challenged for some time to deal with the government initiatives such as the carbon tax on natural gas used for heating, and demand side management (DSM) programs from BC Hydro and FortisBC. Simply put, rent controls do not provide landlords the ability to raise the necessary capital to upgrade housing systems in response to these initiatives.

Landlord BC has set out the following recommended policy approach.

“LandlordBC proposes the following seven solutions to balance landlords’ rights to operate in a free market, while protecting tenants’ rights to access safe and stable housing:

- 1. A flexible solution for government to phase out rent controls.*
- 2. Establish an industry-led review body to protect tenants from unreasonable rent increases.*
- 3. Provide quality assurance standards for tenants through the industry-run Certified Rental Building program, and holding landlords accountable for their actions.*
- 4. Offer an industry-led, non-binding mediation process to tenants and landlords of LandlordBC apartments to help reduce cases that go to dispute at the Residential Tenancy Branch.*
- 5. Explore funding and development of industry-led Rent Banks.*
- 6. Support government’s continued funding of the RAP and SAFER programs.*
- 7. Support a Tenants’ Tax Credit (Finance Ministry).”*

¹³ Canada Mortgage and Housing Corporation, 2013.

¹⁴ McEwan, 2010.

¹⁵ BC Residential Tenancy System 13 Recommendations for Positive Change

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Recently, the Government of Saskatchewan has eliminated its rent control legislation without deleterious effects. Saskatchewan has a model for industry led assistance, which was a quid pro quo for the change in that province. In addition, the government of Alberta and the Territorial governments are successfully operating without rent controls.

In the United States, notable jurisdictions with rent controls, such as New York, are considering phasing out temporary rent controls which, by law, must be renewed in the legislature every two years. In 1994, Boston, Massachusetts scrapped its rent control legislation.¹⁶ There is a clear shift in policy direction toward rent control reversals and phasing out rent controls. Below are principles worth considering when phasing out rent controls:

- 1) Phasing out rent control on new purpose built rental accommodation immediately. (This rental housing already would come into service at market prices anyway and this policy change would enable new rental units to be built without the prospect of price controls)
- 2) Phasing out rent controls from the oldest stock toward the more recent stock in a scheduled manner and or on the poorest condition stock scheduled toward the better condition stock. (This enables the emphasis of the policy change to be placed on the need for quality upgrading of the units)
- 3) Phasing in of exceptions for the rent control for major capital requirements during the rent control phase out, including provisions to enable investments for reduction of GHG emissions and DSM implementation, as well as for all of the major building systems which can require periodic replacements or rebuilds. (This will further emphasize the building condition issues driving the policy change)
- 4) Phasing out rent control based on presentation of a building management and longer term related rent plan to the tenants for discussion. (This would underscore the landlord's willingness to communicate and assist tenants in planning as a part of demonstrating the reasonableness of the rent)
- 5) Phasing out of all rent control eventually on a reasonable schedule with complementary establishment of more streamlined regulation of tenant rental issues, including initiatives from the industry to implement standards and provide for dispute resolution as the first point of resolution with escalating mediation before exceptions reach final resolution under the terms of the RTA. (This will show good faith toward building a less confrontational and adversarial climate between landlords and tenants over time)

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Develop and implement through legislation and regulations an approach to phasing out rent controls, such that tenants are treated fairly and landlords can count on receiving reasonable rental income for their property;
2. Maintain rental regulations for ensuring fair treatment of tenants and work with the industry to streamline dispute resolution mechanisms for tenants and landlords; and

¹⁶ Cato Institute – Policy Analysis

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3. Work with the rental housing industry to enable and facilitate programs to manage cases of serious tenant hardship resulting from fair and reasonable rental increases.

STOP THE TIME CHANGE IN B.C. (2016)

Twice a year, in B.C. and in most parts of Canada, Canadians join with approximately 76 other countries around the world and practice Daylight Saving Time (DST). Since 2007, the clocks have moved forward on the second Sunday in March and then moved back on first Sunday of November.

In 2007, the B.C. government received 4,300 submissions from businesses, individuals and organizations and conducted a 4-week public consultation on expanding DST by an extra 3 weeks every year in order to align with the U.S. and other jurisdictions. The final tally showed that 92 percent of respondents favoured DST and the extra hour of daylight during the evening hours.

Currently, 78% of the world does not change time. In North America, only Saskatchewan, northeast B.C. and Arizona don't change time. Neither do other areas and countries, such as Hawaii, Puerto Rico, China, Japan, Russia, South Korea, India and most of Australia, South America and Africa.

In November 2015, a petition was launched to Stop the Time Change in B.C. Within the 4 months during Standard time (Nov – March), the petition has obtained almost 25,000 signatures, raised awareness across Canada and definitely started the conversation. There was a meeting held in November 2015 with provincial Ministers Terry Lake and Todd Stone to discuss the petition and start the conversation within the B.C. Legislature.

Bills introduced in the Oregon Senate would give voters an opportunity to put an end to DST, according to KOMO.¹ If either pass, Oregon would follow Hawaii and Arizona as the only states that don't follow the time change. One of the bills, Senate Bill 99, would ask voters in the 2016 election whether they want to ditch the archaic practice. That law would go into effect in 2021, giving businesses time to prepare. Another bill, sponsored by Republican Sen. Brian Boquist of Dallas, would make the change immediately.

Washington introduced a similar bill this year, which would put the state on Pacific Standard Time year-round. KATU reports: "What I'm suggesting is that we save time by simplifying our lives," said Washington State Rep. Elizabeth Scott. She said the bill to drop daylight saving time would reduce heart attacks, car wrecks and work accidents found to increase with the sleep-schedule disruptions. Farmers she checked with already run their combines at night using aircraft-scale headlights, and dairy cattle care about the sun, not the time on the clock face.

Background

The primary goal of Daylight Saving Time is to conserve energy, but whether DST actually saves energy is unclear and there are many contradictory studies. There are, however, even more studies that tell us that the change itself can cause accidents, injuries and even deaths. Many of these issues are related to sleep pattern change that the biennial shift mandates.

There is a growing collection of evidence to show that the biennial time change has plenty of unintended consequences, examples such as these can directly affect the operation of business.

Workplace accidents

Workplace accidents may be another side effect of sleep loss from the one-hour time change. They

¹ http://www.huffingtonpost.com/2015/03/12/end-daylight-savings-time-oregon_n_6852880.html

increase in frequency that Monday. "Perhaps even scarier, is the spike in injury severity," said Christopher Barnes, an assistant professor at the U.S. Military Academy at West Point. "Instead of bruising a hand, maybe you crush a hand." A study Barnes led in 2009, and reported in the *Journal of Applied Psychology*, looked at the severity of workplace accidents in miners on the Monday following the time change. The researchers found a 5.7 percent increase in injuries and a 67.6 percent increase in work days lost to injuries. Barnes said the results were likely to be similar in other workplaces with similar hazards. Sleep loss determines the difference between the relatively common near-miss that happens in mining, and a true accident, said Barnes. "We're closer to disaster than we realize," he said. "The margin for error is not very big." "If I were in that environment, one thing I would try to do is schedule you're most dangerous tasks for other days."

Sleep loss

Alterations to sleeping patterns can mean employees have to make substantial changes to their routines, and some studies have shown that absenteeism goes up in the first few weeks of the introduction of Daylight Saving Time. In a culture where we are constantly being told we need more sleep, the start of DST piles another hour per person onto the national sleep debt. "We're already a highly sleep-deprived society," said Russell Rosenberg, Vice-chair of the National Sleep Foundation. "We can ill afford to lose one more hour of sleep. Additionally, the shift in the period of daylight can present a challenge in catching up on sleep. "It does take a little extra time to adjust to this time change, because you don't have the morning light telling your brain it's time to wake up," he said

Heart attacks

As our workforce is continuing to age, the connection between sleep and heart attacks gained attention following a 2008 Swedish study that showed an increase of about 5 percent in heart attacks on the three weekdays following the spring time shift. "Sleep and disruption of chronobiological rhythms might be behind the observation." Heart attacks have been found to be highest on Mondays after the time change, so a shift in sleeping patterns may explain that as well as Dr. Imre Janszky told *My Health News Daily*. According to a 2012 study at the University of Alabama Birmingham, the Monday and Tuesday after daylight saving time in the spring have also been associated with a 10% increase in heart attacks. The study found a corresponding 10 per cent decrease in heart attack risk over the 48 hours after people "fall back" and gain an extra sleeping hour in the fall.

Traffic accidents

An increase in traffic accidents is perhaps the best studied health consequence of the time shift. Sleep loss puts people at much higher risk for motor vehicle accidents," Rosenberg said. A 1996 study published in the *New England Journal of Medicine* showed an 8 percent increase in motor vehicle accidents on the Monday following the time change. A 2001 study from Johns Hopkins and Stanford universities also showed an increase on the Monday following the change. At least one U.S. agency has taken the point to heart. Last November, as the clock shifted back to daylight standard time, the National Highway Traffic Safety Administration warned drivers that, with nightfall occurring earlier in the evening, "adjusting to the new, low-light environment can take time, and that driving while distracted puts everyone — and especially pedestrians — at greater risk of death or injury."

Tourism Boost - many tourism and outdoor activity businesses believe that daylight saving time could provide a financial boost for the tourism industry. Shifting that extra hour to the end of the day could boost outdoor activities and bring in an extra two (2) percent in revenue from visitors, according to timeanddate.com

Conclusion

Moving clocks forward and backward every year in an increasingly complex digital world is not without consequences either. Air traffic schedules, train schedules, public transport schedules all must be changed biennially. It complicates timekeeping, disrupts meetings and even livestock have been shown to have trouble adjusting to new routines.

Moving the hours around twice a year is a complex matter. Although it was originally brought forward by Benjamin Franklin as a way to conserve energy, and that remains its primary purpose to this day, there is in fact no consistent evidence to show it is helping us. There is on the other hand, plenty of evidence to show that constantly shifting back and forth does harm.

It is imperative that we work with other jurisdictions in the Pacific Time Zone to make this happen, by working with and presenting our position to groups such as:

- a. Pacific Northwest Economic Region (PNWER) - is a statutory public/private non-profit created in 1991 by the states of Alaska, Idaho, Oregon, Montana, Washington, and the Canadian provinces of British Columbia, Alberta, Saskatchewan, and the Yukon and Northwest Territories; and the
- b. Pacific Coast Collaborative - a formal basis for cooperative action, a forum for leadership and information sharing, and a common voice on issues facing Pacific North America. With a combined population of 54 million and a GDP of \$3 trillion, Alaska, British Columbia, California, Oregon and Washington are poised to emerge as a mega-region and global economic powerhouse driven by innovation, energy, geographic location and sustainable resource management, attracting new jobs and investment while enhancing an already unparalleled quality of life.

It is for that reason that the Chamber of Commerce advocates a no-time-shift policy and remains on Daylight Savings Time for the calendar year

THE CHAMBER RECOMMENDS

That the Provincial Government works with their partners in the Pacific Northwest Economic Region (PNWER) and Pacific Coast Collaborative to have the Pacific Time Zone in Canada and U.S.A to remain on DST throughout the year.

HARMONIZING BRITISH COLUMBIA'S REGULATION OF WORKER HOURS (2015)

Issue

Many businesses in British Columbia's resource sector must grapple with differences between the employment standards legislation of B.C. and Alberta. This places an undue burden on many small businesses, and may result in a competitive disadvantage to B.C. businesses relative to those based in Alberta. B.C. should eliminate this drag on business by harmonizing key provisions of its employment standards legislation laws with those of its eastern neighbor.

Background

Part 4 of British Columbia's Employment Standards Act¹ ("ESA") provides various conditions on employees' hours of work and overtime. Among other things, this legislation prescribes conditions on split shifts, hours before overtime applies and hours free from work each week.

British Columbia's ESA differs from Alberta's Employment Standards Code². As a result, businesses that operate in British Columbia and Alberta must abide by different regimes. Particularly in industries where there is close integration of operations across provincial borders, this causes complications in scheduling and payroll practices. Such complications are especially burdensome on small business.

As well, British Columbia's ESA, in general, provides less flexibility than Alberta's Employment Standards Code. In markets where Alberta and British Columbia businesses compete for the same opportunities, the differences in applicable legislation can result in a competitive disadvantage for British Columbia business.

By harmonizing British Columbia's *ESA* with Alberta's Employment Standards Code, the provincial government can ensure British Columbia businesses do not face the complications of dealing with multiple employment standards regimes and compete against Alberta business on a more level playing field.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Work with the Alberta Government to harmonize British Columbia's Employment Standards Act with those in Alberta's Employment Standards code; and
2. Then seek harmonization with other provinces.

INTER-PROVINCIAL TRADE BARRIER REFORM: BEER AND WINE INDUSTRIES (2015)

Issue

Inter-provincial barriers in Canada prohibit growth and limit consumer choice in too many businesses and industries. A prime example of an industry still hampered by antiquated inter-provincial trade barriers is the wine, beer and spirits industry. Recently, our federal government liberalized inter-provincial trade in liquor by allowing individuals to import wine, beer and spirits for personal consumption, and a few provinces (including B.C.) have made their own regulations congruent with this federal exemption. Unfortunately, in most Canadian provinces inter-provincial trade in liquor remains restricted by a patchwork of regulations. B.C. must encourage other provinces to modernize their liquor laws to allow freer interprovincial trade in wine, beer and spirits.

Background

Until recently, the federal Importation of Intoxicating Liquors Act criminalized the interprovincial

1 R.S.B.C. 1996, c. 113

2 R.S.A. 2000, c. E-9

importation of liquor by individuals. In 2012, the Act was amended to allow individuals to import wine across provincial borders for personal consumption. In June 2014 further amendments to the Act extended this personal use exemption to include interprovincial shipment of beer and spirits.

Regrettably, the federal government's action to liberalize and modernize interprovincial trade in liquor has been largely frustrated by protectionist measures enacted by several provinces and territories. With few laudable exception (notably B.C.), it remains largely illegal for individuals to import wine, beer and spirits for personal use from out of province.

The effect of these protectionist measures is most keenly felt by B.C.'s small and mid-sized producers, who commonly lack the volume and financial resources to sell to provincial liquor boards. As a result, many B.C. liquor producers are limited in their ability to establish demand for their products in a national domestic market, which makes competition against large international producers more challenging. Interprovincial protectionist measures are also a drag on all producers who would benefit from internet-based sales and direct-to-consumer buying programs that provide better margins and enable more efficient supply management.

Perhaps most importantly, barriers to individual import of wine, beer and spirits are a hindrance to our tourism industry. Many out-of-province Canadian tourists now cannot bring B.C.'s fine wines home to share with their friends, and are unable to participate in the wine clubs operated by many of B.C.'s enterprising wineries. Wineries lose because they are challenged to build long-term, loyal relationships with out-of-province customers. Consumers lose because their favourite B.C. wine is not available to them at home. And B.C. loses because would-be tourists may choose to stay home and consume wine from their home province.

As they do in all other industries, barriers to inter-provincial trade in wine, beer and spirits restrict opportunity, stunt growth, and limit consumer choice. Freer interprovincial liquor trade will allow B.C.'s liquor producers to gain access to the national domestic market, improve financial stability of our liquor industry, and help B.C. companies compete against imported products that have dominated sales in the past. B.C.'s government must take action to ensure that all Canada's provinces follow our lead in allowing individuals to import beer, wine and spirits inter-provincially for personal consumption.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Continue to be at the forefront leading the charge to abolish barriers to inter-provincial trade in wine, beer and spirits; and
2. Continue to persuade and assist other provinces to remove barriers to inter-provincial trade in wine, beer and spirits.

PROTECTING THE NATIONAL ECONOMY BY MANAGING THE LOWER FRASER RIVER (2015)

As highlighted in the July 2014 report titled 'The Economic Importance of the Lower Fraser River', the lower Fraser River stretching from Richmond to Hope is one of the prime economic generators in B.C.,

and is a significant contributor to the national economy. Port activity on the Lower Fraser River rivals Canadian traffic on the St. Lawrence Seaway, as well as supporting a myriad of other economic activities, and is home to 2.7 million people.

Port Metro Vancouver (PMV) is not only the largest port in Canada, but the largest port by tonnage in North America, and is the principal ocean gateway to the Asia Pacific. Although the Lower Mainland ports were amalgamated in 2008, if the Lower Fraser River port existed as a stand-alone port, it would still be a significant port for Canada. Prior to the amalgamation, the Fraser River Port Authority was the third largest port in Canada, based on domestic, export and import tonnage. The impact of the port function of the Lower Fraser is comparable in importance to the impact of Canadian traffic on the St. Lawrence Seaway both, in terms of tonnages and employment:

		<u>Lower Fraser River*</u>	<u>St.</u>
Cargo	(Million Tonnes)	25.7	36.5
Jobs	(FTE's)	52,900	63,000
Wages	(\$ Billions)	\$2.62	\$2.88

* The Lower Fraser River impact shown above is for 2008, prior to the amalgamation of the three Regional Port Authorities into Port Metro Vancouver in that year; the St. Lawrence Seaway impact is for 2010

** St. Lawrence data covers Canadian cargo carried on the Montreal – Lake Ontario section of the Seaway and the Well and Canal between Lake Ontario and Lake Erie

Looking to the future, the majority of developable port lands to accommodate PMV's expected growth are on the Fraser River, and hence the Lower Fraser River is destined to play an increasingly important role in overall port activity and future growth of the Canadian economy.

In addition to the integral role to the operations of PMV, there are nine federal government Small Craft Harbours located on the Lower Fraser River. Supporting the commercial fishing industry, these Small Craft Harbours support a variety of fishing, aquaculture, recreation, tourism, shipping and other marine activities. The Fraser River also supports other key industries: The Fraser Valley's agriculture production in 2011 was \$1.6 billion (the majority of agriculture output for B.C.), and approximately 47 forest industry facilities operate in and along the River.

The Risk

The positive economic growth and development of the region seems unstoppable. However, the security of much of the agriculture and industrial lands, as well as the road and rail infrastructure that connects Canada to the port, are vulnerable to flooding and earthquakes.

Each year during the spring freshet, approximately 32 million m³ of sediment is transported by the River, with roughly 10% of this material settling in the navigation channels of the lower reaches. To ensure continued navigation and flood prevention, regular maintenance dredging is required. Dredging increases flow capacity which is a crucial flood prevention measure to keep the river below dyke levels during periods of increased flow.

In 2007 the River came perilously close to overtopping the dykes in the Fraser Valley during the spring freshet. If the dykes had been breached, the national rail lines and the TransCanada Highway, connecting Vancouver to the rest of Canada would have been cut off, choking off the movement of goods in and out of the busiest port in the country, resulting in significant economic losses.

Presently, the adjacent lands of the Lower Fraser River are home to over 50% of British Columbia's

population, and in the actual flood plain, \$50 billion dollars' worth of development, which are increasingly vulnerable to frequent extreme weather events that are projected to impact the River.

Ensuring Future Prosperity

According to recent studies, sea levels at the mouth of the River could rise in excess of one metre by the end of this century. In order to protect the businesses and livelihoods of those dependent on the river, residents and public facilities (including the highway and rail transportation infrastructure), an ongoing, coordinated program of investment in improved diking, dredging and other protective features is imperative. Preliminary estimates place the cost of this program required by 2100 at nearly \$9 billion for the tidal areas of the River and adjacent coastal reaches.

The impact of inaction could be severe. The economic damage of losing one or more of the rail links to the port, as well as the major highways through the valley would be significant to the national economy. Damage could be similar to that seen in New Orleans, and require lengthy reconstruction periods, likely costing in the billions of dollars, combined with billions in lost economic activity. In order to mitigate this potential, we must act with some urgency to ensure the appropriate preparations are made.

In addition to environmental challenges, urban growth is also putting pressure on the future prosperity of the region. The demand for residential land has applied tremendous pressure on industrial land that is in transition. As a result, this land in transition has been converted to residential use, resulting in a repurposing of nearly 3000 hectares of industrial land in the last 30 years alone.

Coordinating the Administrative Challenge

Ultimately, the Fraser River is the backbone of transportation for the Asia Pacific Gateway and is of great economic value to all of Canada. It has the ability to provide a significant competitive advantage that will build our nation's economic prosperity as Asia becomes an increasingly important trading partner. Streamlining and facilitating a process that allows a main transportation channel to be maintained will be primary in developing this key opportunity.

One of the main challenges to managing the Lower Fraser River is coordinating the many government and non- government stakeholders that maintain the River. There are currently 15 municipal governments and 29 first nations groups along the banks of the Lower Fraser. There are also over 20 Provincial and Federal ministries involved in the River's administration resulting in a myriad of legislative acts and bylaws that require due process.

As authority and oversight is vested with a multitude of government departments, work on the Fraser River is often done in isolation and not part of a comprehensive and coordinated plan to address ongoing maintenance and safety requirements.

Resolving these issues will require long-term management and funding with substantial financial obligations. Compounding the problem is the fragmentation which requires compromise among various jurisdictions and authorities.

All levels of government and other key stakeholders must come together to manage the Lower Fraser River as an interconnected system in which the interests of the economy, the population, navigation, public safety, and the natural environment are managed holistically as one system. This will require the leadership of the Federal Government, the ultimate authority over the River.

THE CHAMBER RECOMMENDS

To ensure the continuous flow of commerce to and from the Asia-Pacific market, and to ensure the sustainability of the Lower Fraser River, the Provincial and Federal Governments work with the, municipalities, aboriginal groups, and business stakeholders to:

1. Bring together a task group of relevant stakeholders, to develop a holistic strategy to address the long term funding and management requirements necessary to maintain, protect and further improve the Lower Fraser River; and
2. Charge this task group with responsibility for developing a comprehensive plan, addressing but not limited to, flood protection, navigation management, sea level rise, and agriculture and industrial land enhancement, within the lower Fraser River and ensure the plan includes consideration for the role that the Fraser River can play in further development of the Asia Pacific Gateway strategy.

THE COST OF PROLIFIC OFFENDERS ON THE LOCAL ECONOMY (2016)

The economic development of any community relies upon its reputation as a safe, viable region in which to locate and do business with supporting infrastructure, community assets, and most importantly, customers willing to walk in the door. However, if customers feel unsafe, they won't come. If the reputation of a region is suspect, businesses won't come. If the media targets a community as one in which prolific offenders reside, its economy suffers.

Media reports often highlight threats to communities when an individual is released from incarceration and has not completed mental health or drug treatment programs. News reports headline those who re-offend shortly after their release. While the public does have the right to know, the impact of such media upon business decision-makers as to where they will house their companies and staff cannot be ignored. The media is not the problem. The concern is the profligacy of offenders and their return to the same community time and again.

Prolific Offenders

The majority of crime committed in Canada is by prolific offenders; the largest portion of crimes committed are property crime, and the largest portion of property crimes are commercial crimes which impact business directly via immediate loss and costs to re-secure property and indirectly by the overall costs of our justice system.

High profile media reports of prolific offender criminal activity are causing businesses and citizens to question the efficacy of our criminal justice system and the accountability of all levels of government. All too frequently individuals who are released without completing mental health or drug treatment programs while incarcerated re-offend shortly after their release. The prolific offender cycle continues to cause increased costs directly to impacted businesses and indirectly through increased taxes to pay for the criminal justice system and ancillary costs.

Leadership is required to ensure that all responsible governments, community and business organizations take up the responsibility of making our communities across Canada more resilient, vibrant and accountable when prolific offenders are released back into our communities.

Background

Prolific offenders create a high percentage of the crime reported in Canada and the link to drug and alcohol addiction and mental health issues is overwhelming. 80% of male offenders in federal prisons have substance abuse issues, 60% of female inmates are prescribed psychotropic medicine to manage mental illness.¹

Ongoing dialogue with experts in policing, corrections, treatment facilities and housing for those on parole or conditional release indicates that the "solutions" to the problems of prolific offenders are widely known and supported amongst the criminal justice community, but that federal and provincial budgetary impacts and political decision-making is a causal problem in preventing successful reintegration of some offenders.

Specifically, reductions in federal funding for psychiatric services for offenders while incarcerated

¹ C Theobald, May 14, 2015, Edmonton Sun

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and post-release is one example of setting up an offender for failure and increasing community risk.² If a business is a victim of repeated crimes due to prolific offenders cycling through the justice system without adequate interventions and programs to stop the cycle of addiction and the need to commit crimes to fund that addiction, where is the incentive to invest in that community?

The Province of British Columbia released a Blue Ribbon Panel report in December 2014, entitled *Getting Serious about Crime Reduction*, is one example of best practices across Canada to end the cycle. The six recommendations are listed below:

1. Manage prolific and priority offenders more effectively.
2. Make quality mental health and addiction services more accessible.
3. Make greater use of restorative justice.
4. Support an increased emphasis on designing out crime.
5. Strengthen inter-agency collaboration.
6. Re-examine funding approaches to provide better outcomes.³

The current initiatives undertaken by the B.C. government in relation to the Blue Ribbon Panel Recommendations include:

- Consideration of a regional, integrated community safety partnership pilot project that would bring together local, relevant government and non-government agencies in identifying and prioritizing community safety goals, focusing resource allocations and programs accordingly, and measuring and evaluating the outcomes; and
- Collaboration between BC Corrections and provincial post-secondary institutions to expand job-training options for offenders and thereby better support their re-integration into society.

Since the release of the Blue Ribbon Panel in December 2014, the provincial government has not provided much public commentary on their efforts to enable the recommendations. Certain initiatives, such as the Integrated Court Services model recently approved in Surrey, British Columbia, do incorporate aspects of the recommendations in their development.

The challenge across Canada is finding the resources to ensure that prolific offenders are engaged in programs to reduce the mental health impacts of drug and alcohol addiction and that best practices are followed. Provincial and federal resources have contributed to the success of Community Courts and Integrated Court Services Programs.

Communities throughout B.C. benefit when stakeholders, service providers, police and justice agencies, under the leadership of the Province, work together to provide offenders with the best opportunities for re-integration and minimizing criminal behaviour. Services including housing, drug and alcohol rehabilitation programs, life skills, employment, and counselling are key to decrease prolific offences occurring in any community. Less crime leads to greater economic prosperity as businesses and customers come to a safe, viable community.

THE CHAMBER RECOMMENDS

That the Provincial and Federal Governments:

² AM Paperny, Global News, June 4, 2014

³ Getting Serious about Crime Reduction: The Report of the Blue Ribbon Panel on Crime Reduction. Ministry of Justice - 2014

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1. Provide adequate budgetary support for support services treating offenders while incarcerated and for post-release housing and programming of prolific offenders to ensure successful societal reintegration and safer communities; and
2. Combine resources to develop a National Strategy to deal with prolific offenders and ensure the efficacy of programs such as the Integrated Court Services Plan and the successful implementation of measures such as the Blue Ribbon Panel recommendations.

THE COSTS OF RETAIL CRIME (2016)

Background

As of December 2014, retail trade in Metro Vancouver was worth \$3,089,714,000. This is a significant economic contribution to the entire province. If so, why is more not being done to stop retail theft? Small retail businesses in the Lower Mainland see losses to theft amount to \$27,000 per day. With this level of retail theft, Metro Vancouver households will pay an additional \$3.5 million annually due the impact of retail crime.

In essence, we are all paying a ‘crime tax’. This crime tax does not include the costs of loss prevention by businesses nor the cost of policing nor courts.

Businesses need to work together as a single community to break down silos and remove barriers to information-sharing for the common good - fighting retail theft, providing a safe and secure business environment for employees and customers, and reducing the crime tax on households.

Frequently however, there is resistance to change, barriers and silos from anti-crime stakeholders and business organizations. At the individual business level, there is frustration, anger and apathy.

This is not new. As an example, previous market research on the issue of cargo theft for the International Association of Airport and Seaport Police, demonstrated the same resistance and frustration from businesses in the River Road, Annacis Island, and Port Kells industrial and commercial business parks.

This problem is reflected in the statistics. There has been a significant drop in the number of retail businesses participating in Business Watch programs, and in the use of 1-800 tip lines. Businesses charging criminals have dropped 20%.

The private sector can be a partner in the crime reduction solution by:

- Supporting the B.C. Government’s Blue Ribbon Panel’s report call for eliminating barriers to information-sharing, and taking concerted action within the business, law enforcement, and crime prevention and reduction communities;
- Encouraging all board of trade/chamber of commerce non-retail business members to work with their counterparts in retail trade to play a greater role in reducing and preventing retail crime;
- Calling for the business community in the Lower Mainland, and throughout B.C., to collaborate, share ideas and information for the common good of preventing and reducing retail crime, while recognizing the need for individual chambers of commerce/boards of trade to address local issues;
- Recognizing the need for collaboration between for-profit, non-profit and law enforcement in finding effective, affordable, and best practice solutions to retail theft; and

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- In compliance with PIPA, recognizing the need to use personal information to fight organized retail crime, provide a safe and secure business environment for employees and customers, and to eliminate crime tax on households.

Government, apart from policing and the courts, also has a role in providing education and promoting coordination to ensure that retail crime is treated seriously, reported regularly and punished effectively to reduce the costs on business and the crime tax on consumers.

Frequently, there are concerns about the sharing of information and a lack of understanding of current privacy legislation. Many businesses and organizations do not share information amongst themselves or policing agencies either from apathy or fear of violating privacy regulations and legislation.

THE CHAMBER RECOMMENDS

That the Provincial and Federal Governments:

1. Investigate administrative penalties for lower level retail crimes, such as ticketing and fines, that reduce the impact of retail crime on our justice system and the administrative burden on our retail industry; and
2. Assist in the education of business and business organizations, in collaboration with law enforcement agencies, regarding provincial and federal privacy legislation and how to effectively share information to reduce retail crime.

MODERNIZING THE SAFE STREETS ACT (2015)

Technology for pay parking has advanced, with many B.C. municipalities converting to new pay parking stations. Citizens and visitors now have to pay for parking at pay parking stations and, while doing so, stand for a period of time with money and wallet exposed to the general public creating a captive audience for panhandlers to solicit. This scenario can create an uncomfortable feeling for citizens and visitors and, more importantly, raises a safety concern for these individuals.

Further, sidewalk patios are an area where a captive audience is created. Restaurateurs observe panhandling affecting their customers' meal experiences in these patios. An undisturbed meal and safety for customers is important for the viability of sidewalk patios.

The Safe Streets Act was enacted in 2004 by the province of British Columbia. Business in B.C., especially retailers, put much effort in attracting customers to enter their store to purchase their products. Many of these pay parking stations and sidewalk patios are being put in locations with high economic activity. It is vital that these areas are safe and welcoming to all potential customers.

The Safe Streets Act Chapter 75 describes specifically where a person commits a soliciting offense. Section 3 (2) reads as follows:

(2) Subject to subsection (3), a person commits an offence who does any of the following:

(a) solicits a person who is using, waiting to use, or departing from a device commonly referred to as an automated teller machine;

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- (b) solicits a person who is using, or waiting to use, a pay telephone or a public toilet facility;*
- (c) solicits a person who is waiting at a place that is marked, by use of a sign or otherwise, as a place where a commercial passenger vehicle regularly stops to pick up or disembark passengers;*
- (d) solicits a person who is in, on or disembarking from a commercial passenger vehicle;*
- (e) solicits a person who is in the process of getting in, out of, on or off of a vehicle or who is in a parking lot.*

Section 3 (3) reads as follows:

(3) No offence is committed under subsection (2) if the person soliciting is 5 metres or more from the following:

- (a) in the case of subsection (2) (a) to (c), the automated teller machine, pay telephone, public toilet facility entrance or commercial passenger vehicle marker, as applicable;*
- (b) in the case of subsection (2) (d) or (e), the commercial passenger vehicle or vehicle, as applicable.*

The Chamber understands that enforcement of panhandling is difficult. The intention is to update the above act in order to give peace officers a mechanism to deal with a problem if one ever needed to be acted upon.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Amend the Safe Streets Act to add pay parking stations, specifically:
 - a. Have section 3 (2) (b) read “solicits a person who is using, or waiting to use, a pay telephone, a pay parking station or a public toilet facility;”
 - b. Have section 3 (3) (a) read “in the case of subsection (2) (a) to (c), the automated teller machine, pay telephone, pay parking station, public toilet facility entrance or commercial passenger vehicle marker, as applicable;”
2. Amend the Safe Streets Act to add "sidewalk patios," specifically:
 - a. Add a Section 3 (2) (f) to read "soliciting a person who is within a designated sidewalk patio area.”
 - b. Have section 3 (3) (a) read "in the case of subsection (2) (a) to (c) and (f), the automated teller machine, pay telephone, pay packing station, public toilet facility entrance, commercial passenger vehicle marker or sidewalk patios, as applicable.

EQUITABLE POLICE FUNDING (2014)

Overview of Policing in B.C.

Residents of B.C. receive police services from an RCMP provincial force, 62 RCMP municipal forces, 11 independent municipal police departments, one First Nations Administered Police Service (FNAPS), and the RCMP federal force.

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Municipal, provincial, and federal Integrated Teams, the Combined Forces Special Enforcement Unit (CFSEU, formerly known as the Organized Crime Agency of British Columbia), and the Canadian National and Canadian Pacific Railway police forces also provide specialized law enforcement within the province.

In the Lower Mainland area of the province, the South Coast British Columbia Transit Authority Police Service (SCBCTAPS) was established as a designated police unit under the Police Act in late 2005. There are also enhanced police services at the Vancouver and Victoria International Airports.

Under the B.C. Police Act, municipalities with a population exceeding 5,000 persons must assume responsibility for police services within their boundaries. These municipalities may contract with the provincial government for RCMP municipal police services, contract with an existing independent police department or they may form their own independent municipal police department.

The RCMP provincial force polices municipalities with a population below 5,000 persons, as well as unincorporated (usually rural) areas.

Independent police departments, First Nations Administered Police Service, and provincial and municipal RCMP detachments provide police services to specific geographic locations within the province.

RCMP Federal Force

The RCMP federal force enforces federal statutes across the province. Examples of federal policing programs include border integrity, national security, drugs and organized crime, financial crime, international policing protective services. In 2012, the authorized strength of the federal force in B.C. was 1,028 which included 140 protective policing positions.

RCMP Provincial Force

In B.C., the Provincial Government contracts with the Federal Government and the RCMP to provide policing services to municipalities with populations under 5,000, as well as to the unincorporated areas of the province. If a municipality is under 5,000 in population, the provincial force polices not only the municipality but also any unincorporated or rural area surrounding it.

If a municipality is over 5,000 in population, the provincial force polices the surrounding unincorporated area and a municipal police unit polices the municipality.

The RCMP provincial force also maintains the policing infrastructure for the province. This infrastructure includes centrally provided police functions that serve all communities. In addition to capital-intensive items, such as boats and planes, the provincial force provides specialized units such as unsolved homicide, hate crime, commercial crime, and traffic enforcement that serve all jurisdictions in BC. In essence, the RCMP provincial force is the umbrella for all policing in the province.

The cost of the provincial force is shared between the federal and provincial governments under the terms of the Provincial Police Services Agreement (PPSA). The provincial government pays 70% of the contract costs and the Federal Government pays 30%.

In 2012, the RCMP provincial force served 87 municipalities with populations below 5,000 persons in addition to the unincorporated areas. The provincial force had an authorized strength of 2,602 officers providing police services to a population of 689,468.

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Until 2007, municipalities with a population of less than 5,000 did not make a direct contribution toward the provincial police services they receive. Rural property owners paid a rural property tax but the amount raised from this tax did not make a significant contribution to policing. In 2007, a new police financing model was introduced that required municipalities with populations below 5,000 persons and unincorporated areas to pay a more equitable share of their policing costs. Under the new model, less than 50% of the total cost for the provincial force is collected from property taxpayers in these communities.

The RCMP provincial force detachments are usually named after the municipalities in which the detachment offices are located. For example, the Houston RCMP provincial unit polices not only the Town of Houston but also the rural areas and other communities within the detachment's boundaries.

Where both municipal and provincial units are located in the same detachment or integrated detachments, the RCMP members from each unit report to one commanding officer and provide police services to the combined provincial and municipal policing areas.

Municipal Police

Under the B.C. Police Act a municipality must assume responsibility for its police services when, as a result of a Canada Census, its population reaches 5,000 persons. As noted previously, these municipalities may form their own independent police department or contract for the RCMP as a municipal police service.

In 1996, there were 67 municipalities with populations exceeding 5,000 persons. This number increased to 71 in 1997 following the release of the 1996 Canada Census results and remained at 71 following the release of the 2001 Canada Census results. In 2012, there were 74 municipalities exceeding 5,000 persons as reported by the 2011 Canada Census.

RCMP Municipal Forces

In 2012, the provincial government signed a new 20-year Provincial Police Service Agreement (PPSA) with the government of Canada to contract the RCMP as BC's Provincial Police Force. In addition to the PPSA, the provincial and federal governments signed a 20-year master agreement, the Municipal Police Service Agreement (MPSA) which enables the provincial government to sub-contract the RCMP provincial force to municipalities.

In 2012, there were 62 municipalities with RCMP municipal police services. Each of these municipalities has signed a Municipal Police Unit Agreement (MPUA) with the provincial government for the provision of RCMP police services to the area within their municipal boundaries. Under this agreement (contract), the cost of policing these municipalities is shared between the municipality and the Federal Government.

There are two different MPUA cost-sharing formulas. Municipalities with populations exceeding 15,000 persons are responsible for 90% of the cost of their RCMP police services. Municipalities with populations between 5,000 and 15,000 persons are responsible for 70% of the cost of their RCMP police services. The Federal Government pays 10% and 30% respectively. The funding formula for this subsidy was reconfirmed in the 2012 Municipal Police Service Agreement (MPSA).

Municipalities are responsible for 100% of their accommodation and support staff costs.

PUBLIC SAFETY

Independent Municipal Police Departments

Twelve municipalities in B.C. have formed their own police departments and are policed by 11 independent municipal police departments. These police departments are referred to as ‘independent’ and are responsible for 100% of their policing costs.

The independent municipal police departments include:

- City of Abbotsford;
- District of Central Saanich;
- District of Delta;
- Township of Esquimalt (in contract with Victoria);
- City of Nelson;
- City of New Westminster;
- District of Oak Bay;
- City of Port Moody;
- District of Saanich;
- City of Vancouver;
- City of Victoria; and
- District of West Vancouver.

The Problem

There is a gross inequity that currently exists between communities contracted with the RCMP through the Provincial Government and those with municipal police forces. Collectively, the communities with municipal policing represent over 1.32 million residents (28.3% of the B.C. population) and tens of thousands of businesses, yet receive absolutely no funding from senior governments towards policing costs.

Individuals and businesses in municipalities with municipal police forces pay 100% of their local policing costs. These costs, without exception, are the single largest part of the total municipal tax bill. To exacerbate the problem, the residents and business owners in these municipalities directly subsidize the costs of policing in the other neighbouring communities using the RCMP through their personal and corporate income taxes at the provincial and federal level.

While the required funding structure was known to each of these municipalities when they created their own police force, all other aspects have since changed. The current complexity and the challenges facing modern policing are dramatically different from those experienced by communities only a few years ago. Whether it is the huge challenge organized crime presents to many communities or the challenge of addressing financial and cybercrime, the nature and complexity of policing has changed considerably. This all comes with a significant cost to police forces that could not have been foreseen at the time they created their own municipal force.

The growth in cost to municipalities comes at a time when municipalities are facing significant cost pressures in areas such as transportation, service levels and infrastructure. This has led to a trend towards unfair levels of property tax being levied onto the business community. With the single biggest line item in these communities being protective services, the impact on business is of significant concern.

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Crime doesn't recognize, or stop at, geopolitical boundaries.

The majority of communities with their own municipal forces have international points of entry (border crossings, harbours, airports, etc.). Organized crime tends to move towards areas of least resistance.

In addition, the increased use of provincial and regional integrated teams drawing on the resources of local municipal forces creates added demand, particularly in metropolitan areas.

The Chamber believes public safety is a foremost concern for communities and their respective business members and residents.

The Chamber finds it unacceptable that both the provincial and federal governments deem the public safety of our citizens to be of secondary importance when it comes to the allocation of dollars.

To create silos of policing inequity is detrimental to all communities in B.C. due to the geographically fluid, predatory, and opportunistic nature of crime.

THE CHAMBER RECOMMENDS

That the Provincial Government works with the Federal Government to:

1. Urgently address the issue of equitable police funding by developing an equitable funding program for all B.C. municipalities; and
2. Ensure senior levels of government provide the same cost sharing to those communities using a municipal police force as to those contracting the services of the RCMP.

POLICE AMALGAMATION (2014)

There has been much debate relating to the amalgamation and/or regionalization of police services in B.C. At the present time, the Royal Canadian Mounted Police (RCMP) and 11 independent municipal police organizations provide service across B.C. Those include independent police departments in: Abbotsford, Central Saanich, Delta, Nelson, New Westminster, Oak Bay, Port Moody, Saanich, Vancouver, Victoria, and West Vancouver.

This patchwork quilt of municipal police forces and RCMP detachments across the province is filled with departments that often manage their cases differently and lack the specialized training being provided to officers elsewhere.

A number of police forces lack the resources to do day-to-day work, let alone commit officers to work on multi-agency teams. These types of obstacles have hampered major multi-jurisdictional investigations, like the case of dozens of missing women from Vancouver's Downtown Eastside. Two decades after Clifford Olson began abducting and murdering children on the Lower Mainland, BC police agencies still face major roadblocks when trying to catch organized, mobile serial predators.

Examples such as the Olson case and the Pickton case have exploited the lack of guidelines covering how and when police agencies come together to form joint task forces when a criminal begins crossing jurisdictions. When municipal police forces act alone, they can often miss critical information to an

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investigation that might have been detected under a wider coverage area. Issues of public safety are of particular concern in areas where municipal boundaries are immediately adjacent.

Municipalities are feeling the impact of provincial downloading and increased costs of police service delivery. Amalgamation of police services may provide uniformity of enforcement, specialization, better coordination of resources, ongoing and in-service training, fewer infrastructures, improved efficiency, and the avoidance of duplication.

Municipalities in B.C. of more than 5,000 persons are required to bear the expenses necessary to maintain law and order. The Police Act gives such municipalities three choices: they may establish their own police force, they may contract with the provincial police agency, or they may contract with another municipal police force.

Ultimately in B.C., the Attorney General is responsible for policing. Where it is evident that amalgamated, regional police services would field more effective policing rather than a multitude of local services, the provincial government has the power to legislate such action. The provincial government demonstrated this power in January of 2003, when it amalgamated the Victoria and Esquimalt police departments.

Arguably, the most divided policing continues to be found in the capital region of B.C., an area policed by four independent police forces and three RCMP detachments. Central Saanich, Saanich, Oak Bay, and the amalgamated Victoria-Esquimalt departments all run independently of each other in the Greater Victoria area. Dividing police resources along city borders makes little sense from a practical point of view. Few criminals or policing problems confine themselves within a municipality; prostitution, the drug trade, organized gangs and violent serial offenders have increasingly regional, national, and international patterns that require a coordinated solution.

An example of the shortcomings of integration policy versus full amalgamation was found in 2009, when the Victoria Police Department withdrew from the regional integrated crime-fighting unit, citing financial constraints and pressures on department resources. This reinforced the need for full amalgamation as regional demands continued to overly impact one municipal police force, forcing budgetary concerns to trump public safety. During the announcement, Police Chief Jamie Graham highlighted this issue, stating that, *"It should be a regional force, right from that ferry terminal to Oak Bay to the Western Communities."*

Since 2003, successive provincial Solicitors-General have highlighted the need for regional police amalgamation. Most strongly, Solicitor-General Rich Coleman stated that if municipalities in the Greater Victoria region did not further integrate police services, the Provincial Government should force them to merge into a single agency. No substantial integration has happened between the police departments since that statement despite a 2003 poll conducted for CHEK and the Times Colonist that found police amalgamation was supported by 70% of capital region residents, including a majority in every single municipality.

These results are echoed in the public's continued concern cited in a 2008 report to the Vancouver Police Department¹ which stated, *"A recent (November 10, 2007) Angus Reid survey found, for example, that*

¹ Options for Service Delivery in the Greater Vancouver Region: A Discussion Paper of the Issues Surrounding the Regionalization of Police Services, February 2008

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65% of residents surveyed in the GVR support creating a regional police service. This is a significant finding that should inform discussions of a regional police service going forward. It appears that public concern with the effectiveness of the police in responding to crime and violence in the region outweighs concerns related to the creation of a larger police service and the loss of “no call too small” policing.”

In larger urban and metropolitan areas, amalgamation would be beneficial for several reasons, including:

- Reduced policing costs - reduction in policing costs realized through integrated infrastructure and management;
- Better integration and increased effectiveness – By amalgamating units such as serious crimes unit, sex crimes unit, financial crimes section, strike force, gang unit, dispatch unit, human resources, purchasing, K9, administration functions, forensic identification, and detention facilities;
- More equal administration of justice – Each police department carries its own operational policies, leading to regional disparities in law enforcement; and
- Increased Quality of Life and Safety – when approached separately in the region as opposed to cohesively, it jeopardizes public safety and our quality of life

THE CHAMBER RECOMMENDS

That the Provincial Government addresses the issue of regionalization of police services in B.C. by:

1. Establishing provincial standards for the integrated delivery of police services by police forces where municipal boundaries are immediately adjacent; and
2. Where necessary, legislating amalgamation of police services in areas where established standards are not being met and where uniformity would benefit service delivery and public safety.

SMALL BUSINESS AND RED TAPE REDUCTION

ADDRESSING BARRIERS TO SUCCESSION PLANNING FOR SMALL AND MEDIUM ENTERPRISES (2016)

According to a 2013 survey completed by the Canadian Federation of Independent Businesses (CFIB), 75% of Canadian business owners will exit their business before 2022.¹ The importance of succession planning and the creation of a business exit strategy remains critical. The top reason for exiting a business is retirement.² The economic impact of the retiring baby boomer generation of SME business owners should not be underestimated.

In the 2012 CFIB report: *Passing on the Business to the Next Generation*, it was estimated that over \$1 trillion in business assets would change hands by 2017. A secondary source identified that by 2022, \$3.7 trillion dollars of business assets will have changed hands.³

Innovation, Science and Economic Development Canada defines an SME when a business employs anywhere from 1 to 499 employees, which includes Micro-enterprises employing 1 to 4 individuals.⁴ The large group of SMEs in Canada account for 98% of businesses, employ 48.3% of the labour force, and account for 40.7% of the GDP.⁵ Yet, studies have proposed that only 10% of owners have a succession plan in place.⁶

A succession plan helps a business owner deal with complex topics such as:⁷

- tax issues;
- required qualifications and skills of successors;
- legal issues;
- how the successor will be trained/prepared for the role; and
- mechanics for the purchase or transfer.

Some of the top barriers to succession planning include but are not limited to:⁸

- Finding a suitable successor;
- Valuing a business;
- Financing for the successor; and
- Access to cost effective professional advice.

British Columbia's *Venture Connect* prepares businesses for a sale so they can be transferred to a new owner – keeping businesses in our communities. *Venture Connect* began as a project created in response to the challenge that over the next 20 years, there will be unparalleled shortfalls of both business owners and employees resulting in potential closure of large numbers of small businesses throughout the province. The project was supported by B.C. Ministry of Jobs, Tourism and Innovation, B.C.'s Small Business Roundtable, Island Coastal Economic Trust and six Community Futures organizations

1 Canadian Federation of Independent Businesses (2012) *Passing on the Business to the Next Generation*, page 3

2 Canadian Federation of Independent Businesses (2012) *Passing on the Business to the Next Generation*, page 8

3 Retiring business owners to transfer \$1.9 trillion in business assets in the next five years - largest turnover of economic control in Canadian history: CIBC

4 Industry Canada (2011) Cited in CBC News (2011) 10 Surprising stats about small business in Canada www.cbc.ca/news/business/smallbusiness/story

5 Ibid

6 Canadian Federation of Independent Businesses (2011) Unnamed Poll. Cited in CBC News (2011) Canadian businesses score poorly on succession planning.

7 Canadian Federation of Independent Businesses (2012) *Passing on the Business to the Next Generation*, page 4

8 Canadian Federation of Independent Businesses (2012) *Passing on the Business to the Next Generation*, page 4

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throughout Vancouver Island and the Island Coastal region (this includes Powell River and the Sunshine Coast). In 2013, Venture Connect began establishing working partnerships with Community Futures throughout the province and now delivers services throughout rural B.C.⁹ Even with resources such as Venture Connect, SMEs have historically been, and continue to be, vulnerable with respect to receiving approval for financing from lending institutions. This not only includes entrepreneurs starting a brand new business, but also those looking to purchase an existing business, as in the case of succession.

In B.C., the Employee Share Ownership Plan (ESOP) and Employee Venture Capital Corporation Tax Credits provide tax-based incentives for investors to provide financing to businesses for a variety of purposes.¹⁰ Tax-based incentives allow for employees to invest in companies and receive tax credits. While the money can be used by the receiving business for succession planning, there are severe limitations to the programs that have made them ineffective. At present, B.C. has provided the ESOP to facilitate direct investment by employees in their employer's company, and the succession ESOP which is a special application of the standard ESOP which facilitates a transfer of control of the business from the current retiring or departing owner(s) by involving the employees over a period of time. The succession ESOP also does not assist in succession of the large number of SMEs that are not incorporated or the many instances where the successor wants to buy the corporate assets rather than the shares.¹¹

Another possible solution involves a slight modification to the existing B.C. Ministry of International Trade, Investment Capital Program, Eligible Business Corporation (EBC) tax program to support B.C.-based companies with succession. Specifically, this program could be modified slightly to support a vendor take back or owner financed business transactions by providing the retiring business owners with a 30% tax credit for the value of their financing provided to the new owner. Currently the EBC program is designed to help small to medium sized enterprises in B.C. attract private equity investment. The already existing Eligible Business Corporation (EBC) program which currently (as of January 2016) still has a \$48.33 million budget. There would be no additional costs associated with this policy, above and beyond what has already been budgeted.

Nationally, the Canada Small Business Financing (CSBF) Program is a federal government program with a mandate to increase the availability of loans for establishing, expanding, modernizing and improving small businesses by encouraging financial institutions to increase financing availability to small businesses, yet it does not include succession planning as a reason for a business financing.¹² A study conducted on behalf of the Business Development Bank of Canada (BDC) indicated trends of superior results by SMEs who obtain CSBF Program funding to SMEs obtaining funding elsewhere.¹³ While CSBF does not currently allow for the financing to be obtained for the purpose of succession planning, BDC's study proved through historic evidence that financing programs to SMEs do work and help contribute to economic stability and growth.

Government backed financing should be considered in the format of the Small Business Loan Guarantee Program, but instead of guaranteeing loans to start up or expand a business, the loan guarantees to pay the vendor up to 75% of the value of the loan with a maximum loan value of \$500,000 to \$750,000.¹⁴ The loan allows the purchase of the existing business assets or shares rather than new working capital, capital

⁹ <http://www.ventureconnect.ca/about/what-is-venture-connect>

¹⁰ Farrow, A. (2012) Issues in Succession Planning for Small to Medium Enterprises in the Greater Nanaimo Area

¹¹ Heron & Company (2007) Review of SME Loan Guarantee Programs. Research Report: Industry Canada, CSBF. Ottawa.

¹² Statistics Canada (2009) Economic Impact Study of the Canada Small Business Financing Program. Report: Industry Canada, Ottawa.

¹³ BDC (2011) SMEs At a Glance

¹⁴ Brennan, M., Miksimovic, V., and Zechner, J. (1988) Vendor Financing. *The Journal of Finance*, 43 (5), pp. 1127-1141

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assets, or equipment required for a new business. Loan programs need to shift more attention to succession rather than wholly focusing on new business.

According to statistics from the Canadian Association of Family Enterprise, between 80 and 90 percent of all companies in Canada are classified as small to medium, and the majority of these are family owned.¹⁵ While almost half of SME owners plan on selling to a buyer or buyers unrelated to them, over one third of them intend on selling or transferring to their family members.¹⁶ Small corporations should be allowed to defer the tax on the capital gains from the transfer of a business to the owner's children.

Since 2013, several tax measures have been introduced to assist Canadian business owners with the transition of their businesses. The Lifetime Capital Gains Exemption (LCGE) is one very important tax measure because for many business owners, the sale of their business is their retirement income.¹⁷

The Lifetime Capital Gains Exemption (LCGE) is a federal tax deduction that can be claimed against taxable capital gains on the disposal by an individual of:

- Qualified small business corporation (SBC) shares;
- Qualified farm property; and
- For dispositions occurring after May 1, 2006 for qualified fishing property

The maximum LCGE was increased from \$500,000 to \$750,000 effective March 19, 2007 as a result of the Federal Budget that year.

The 2013 Federal budget increased the LCGE amount to \$800,000 for the 2014 tax year. The indexation of the LCGE to inflation for the tax years after 2014 was an important step in ensuring that the value of the LCGE's are retained. LCGE is \$813,600 in 2015 and \$824,176 for 2016.

The 2015 Federal Budget also increased the maximum LCGE for qualified farm or fishing property dispositions on or after April 21, 2015 to the greater of:

- \$1 Million; and
- The indexed Lifetime Capital Gains Exemption applicable to capital gains realized on the disposition of qualified small business corporation shares.

It would be prudent for B.C. to focus on stimulus for succession planning for small business that addresses the various business structures while keeping in mind that vendor's general desire to use the Federal Tax Act provisions to minimize tax on the transition.

Overall, the results of the Chambers research indicate a need for awareness to the issue of succession planning as well as changes to existing government resources for financing to provide sellers and potential purchasers the incentives to conduct succession planning and transition effectively.

Based on the information provided above, it is clear that the importance of business succession planning has been accepted by the senior levels of government in Canada and British Columbia as a relevant issue, and that further action by government to address this matter is timely.

15 Keeping it in the Family: Third and Fourth Generation Family Businesses in Calgary, February 2016, Page 3 Christina Frangou

16 Canadian Federation of Independent Businesses (2012) Passing on the Business to the Next Generation, page 3

17 Canadian Federation of Independent Businesses (2012) Passing on the Business to the Next Generation

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THE CHAMBER RECOMMENDS

That the Provincial Government and, where applicable, the Federal Government:

1. Create a task force in partnership with business and government to develop and implement improved access to simplified practical information regarding proper business succession practices for SME business owners;
2. Increase awareness, particularly among young entrepreneurs, about the opportunities and advantages of purchasing an existing business;
3. Expand the scope of current tax based incentives (such as the Succession Employee Share Ownership Plan) to include unincorporated businesses and instances where successors buy corporate assets rather than shares;
4. Review the current “qualifying activities” in the existing Eligible Business Corporation (EBC) program and
 - a. Include a clause which allows the program to be more inclusive towards small to medium sized businesses in a succession transaction; and
 - b. Include a vendor financed arrangement as a qualifying activity, whereby the vendor will receive the same 30% tax credit for financing the business succession transaction, thereby reducing the vendor’s risk;
5. Expand the scope of existing small business financing programs (such as Canadian Small Business Financing Program) to incorporate succession planning as a legitimate reason for business financing;
6. Expand the scope of existing government backed vendor financing programs (such as the Small Business Loan Guarantee Program) so that existing or potential owners of SMEs may access funds to facilitate the various aspects of succession planning including capital funds for purchase of an SME business;
7. Allow small corporations to defer the tax on the capital gains from the transfer of a business to the owners’ children; and
8. Continue to index the Lifetime Capital Gains Exemption to inflation and expand it to include some assets.

ENHANCED PUSH FOR INTERMUNICIPAL MOBILE BUSINESS LICENCES (2015)

At the 2006 Union of British Columbia Municipalities (UBCM) Convention, then Premier Gordon Campbell challenged local governments to develop a single business licence framework, to become the first jurisdiction in Canada where businesses could operate freely anywhere in their province. The Ministry of Small Business and Revenue was charged with leading the Single Business Licence Initiative, working closely with UBCM, the Ministry of Community Services, and key stakeholders, to develop a model that streamlined business licensing processes while retaining municipalities’ powers to set local standards for businesses operating within their jurisdictions.

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Following initial concerns expressed by some local governments over loss of revenue and autonomy, the province moved away from the introduction of a single business licence, and began to promote regional Mobile Business License (MBL) programs. Resistance has diminished overtime as MBL programs have demonstrated value and an increase in compliance.

There are currently ten MBLs Programs, including pilot projects, in the province, encompassing 751 local governments:

- Central Vancouver Island (12);
- Cowichan Lake Area (4);
- Greater Victoria Area (13);
- Courtenay/Comox Area (2);
- Metro West Region (6);
- Fraser Valley Area (9);
- Tri-Cities Area (3);
- North /West Vancouver Area (3);
- Okanagan-Similkameen Area (19); and
- Trail Area (5)

To date, the established MBL projects/pilots have been positively received by participating municipalities and several local municipalities bordering existing programs have adopted the MBL model as well, thereby increasing the boundaries within which businesses can operate under one licence.

In the absence of a single provincial business licence, implementing regional programs is a more streamlined and cost-effective way for municipal governments in all of BC to operate in the short-term, and pave the way for the eventual goal a one province wide MBL.

While the Chamber has expressed concern over the lack of focus regarding a single business licence for all of B.C., we recognize the fact that regional MBLs still mark a significant improvement. The benefits to local governments, business, and residents of a regional MBL model have been supported by the feedback and financial success of the Okanagan-Similkameen, Fraser Valley, and other MBL programs already in place. The Chamber believes that the benefits of these programs have been demonstrated and early concerns over loss of revenue and autonomy have been negated. The Chamber encourages the provincial government to continue the expansion of this initiative across the province, with the goal of eventually establishing a single, province wide licensing program for all businesses.

THE CHAMBER RECOMMENDS

That the Provincial Government works with municipalities to:

1. Proactively conduct data/revenue analysis for municipalities in defined regions to assist with implementation and creation of new Mobile Business License programs, as well as analysis of existing programs;
2. Merge existing Mobile Business License programs, such as the four current programs in the Lower Mainland region, into expanded regional Mobile Business License programs; and

¹ The City of Surrey is part of both Metro West and the Fraser Valley MBL Program

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3. Explore an expanded list of eligible mobile businesses to provide access to a broader range of sectors.

THE NEXT PHASE OF REGULATORY REFORM (2015)

The effectiveness and quality of regulations and the institutions that enforce them are major determinant of jurisdictions prosperity.

Well designed and efficiently enforced business regulation improves the functioning of the economy by providing certainty for the business community. In addition, they also achieve environmental and social policy goals without imposing significant compliance costs on firms or weakening the ability of businesses to adapt to changing economic conditions, technologies and consumer preferences. Regulations that create high compliance costs or restrict competition have been shown to damage investor confidence, increase costs and reduce investment in technology and innovation.

Many of the costs of regulation are less visible. Regulation can result in higher prices and costs, a reduction in consumer choice and a reduction in flexibility. In the U.S.A., the total gross cost of federal regulation alone has been estimated at almost 8% of GDP¹

In this context, The Chamber believes that the provincial government has an impressive record in reducing the regulatory burden faced by B.C. business by cutting 154,000 regulatory requirements since June 2001; a total reduction of 40.31%.²

Despite this progress, this does not go far enough. The Chamber believes that there are a number of other policy directions that B.C. could utilize to ensure it achieves a more business friendly regulatory and policy development climate.

Too frequently, governments at all levels make regulations pertaining to business without considering the total cost of compliance, or they initiate arbitrary changes to legislation without due consideration of the impact on the business community. We do not deny the necessity for certain regulations; some demands on business made by government can be a deterrent to the establishment of new enterprises and the operation of existing enterprises.

As we move towards the next phase of regulatory reform The Chamber sees a system of “Smart” regulatory reform where the emphasis will be more on addressing particularly onerous or costly regulations rather than a simple numeric reduction. To achieve this goal, the public and business must have easier access to current information. For example, the federal government has published its regulations on its website, The Chamber sees no reason the provincial government does not do this also.

This process of public dialogue cannot stop with a simple printing of a list of government regulations. Government must be proactive in developing a mechanism for providing qualitative analysis through the publication of regulatory indicators to better measure the cumulative administrative and compliance cost on business, and SME’s in particular, from regulation.

The operation of government is a public activity. Public policies ought to be shared with all members of

¹ Source – “Regulation in a Regional Economy” Michael J Sullivan, Idecon Public Policy Lecture, 15 September 2005

² B.C. Regulatory Reform Initiative, Quarterly progress Report, February 2006

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the public, who are the customers and owners of the government.

The focus of this process must be a move towards a 'risk based' approach to regulatory enforcement to replace general requests for information from industry with more targeted enforcements as has been undertaken in the U.K.

The U.K. government initiated a review of regulatory inspection and enforcement that identified risk assessment as a method of reducing administrative burdens for business. A risk based approach argues that scarce resources should not be used to inspect, request or assess data from companies that are low risk or that are operating within inherently safe regulatory regimes. Such a system would involve the removal of general requests for information from industry and replace them with more targeted enforcement mechanisms. The U.K.'s risk based approach is expected to reduce the number of forms regulators send out by 25 per cent and the need for inspections by up to a third.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Give business and the general public access to information that is currently not readily available or current, by publishing its regulations and cost impacts to business, on its website;
2. Must be proactive in developing a mechanism for providing qualitative analysis through the publication of regulatory indicators to better measure the cumulative administrative and compliance cost on business, and SME's in particular, from regulation;
3. Ensure that all government departments strengthen their programs that review existing legislation and regulations pertaining to business and eliminate those measures which result in an unnecessary cost to small business (and ultimately the consumer);
4. Government continue to provide ample notice of intention to modify its laws, regulations and policies, not just to interest groups, but to the public generally as a matter of practice; and
5. Introduce a risk-based approach to regulation that ensures scarce resources are not used to inspect, request or access data from companies that are low risk or operating in a safe regulatory regime.

SOCIAL DEVELOPMENT AND SOCIAL INNOVATION

MAKING REGISTERED DISABILITY SAVINGS PLANS MORE ACCESSIBLE TO CANADIANS WHO NEED IT (2014)

In Canada, 4.4 million Canadians have a disability, of which many are children or under the age of 44. Of this, 68,833 Canadians have successfully applied for, and received benefits of, the Registered Disability Savings Plan (RDSP). According to CBC News on May 30, 2013, the numbers of applications are as follows:

RDSPs by year

Year	Number of accounts opened
2009	20,598
2010	18,144
2011	12,099
2012	13,103
2013*	4,979
Total	68,833

Source: Human Resources and Skills Development Canada. *Figure accurate as of mid-May.

This total number of applications is low considering it is estimated that 500,000 Canadians are potentially eligible for the RDSP.

Based on many interviews with applicants, and personal experience of those who have worked with them, the application process is what is impeding its use.

The reason for the decline in applications is primarily the intense, cumbersome paperwork that is required from start to finish of the process. To successfully complete this process, applicants need to have a medical assessment completed and then file the paperwork to obtain the federal Disability Tax Credit (DTC). During interviews at information seminars with potential candidates, it was discovered that most people with disabilities, as well as their caregivers, are in a low income bracket. Therefore, they do not see the need to go through the process of applying for a Disability Tax Credit because they, in most cases, do not pay taxes.

However, when learning of the bond portion of the RDSP, there was renewed interest to go through the application process.

In an effort to assist in accessing this program, it was discovered that there are similar income assistance programs in the Province of BC, such as Persons with Disabilities (PWD) that also require an even more stringent medical assessment of the person required to qualify for the DTC.

Furthermore, there appears to be an appetite for provincial/federal collaboration by government leaders, as mentioned by B.C.'s Minister of Finance Mike de Jong to the Kamloops Chamber of Commerce in 2013, to enhance efficiency and effectiveness. Therefore, in reviewing the application and requirements for a person to be granted the PWD, a connection to CRA on the completion of the successful applicant to grant a federal DTC could be beneficial. By doing so, access to the Registered Disability Savings Plan would be readily accessible to lower income Canadians, the ones who need it most.

SOCIAL DEVELOPMENT AND SOCIAL INNOVATION

THE CHAMBER RECOMMENDS

The Provincial and Federal Governments:

1. Investigate and implement a cross-linked application process to enable those with recognized disabilities to have access to both the PWD and DTC under one application;
2. Review all existing recipients of PWD to determine eligibility of the DTC based on timing of the last tested application; and
3. Review other provincial programs that would also result in automatic DTC eligibility.

TECHNOLOGY, INNOVATION AND CITIZENS' SERVICES

CLEAN TECHNOLOGY & THE RENEWABLE, SUSTAINABLE ENERGY SECTOR IN B.C. (2015)

The Issue

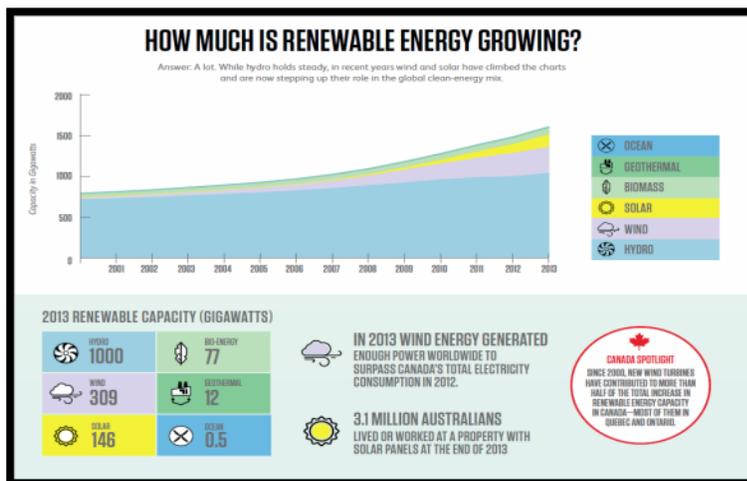
Much of the recent energy dialogue has focused on the price of oil and the impact this is having on provincial and federal budgets. This misses the fact that a more fundamental shift is occurring in the global economy. For the first time in more than a century, multiple signs suggest that the dominance of fossil fuels is beginning to decline. We are seeing the beginning of a new technology revolution that will provide huge economic benefit for those able to place themselves at the forefront of this revolution. Unfortunately, while B.C. has a strong international reputation for innovation on climate change we are not leveraging this reputation to be at the forefront of the coming green technology economy.

Although carbon-based fuels will likely remain an important part of our energy system for decades, whole economies throughout the world are embracing clean technologies and renewable energy.¹ Management-consulting firm McKinsey & Company said that better and cleaner technologies are underpinning “a new industrial revolution.”² Deutsche Bank dramatically lifted its solar-industry demand forecast—predicting that a staggering 46 gigawatts of global solar power will come online this year.³ China is installing a new wind turbine every hour⁴ and Royal Dutch Shell, the largest oil company in the world by revenue, listed a litany of reasons why business should love a price on carbon pollution.

We're hearing similar language from the likes of President Obama and his cabinet. We're hearing it from China, the world's largest clean, renewable energy investor. And we're hearing it from some of the world's most popular brands, such as Google,⁵ Walmart, Apple, Ikea, Starbucks and Facebook. In fact, 60% of Fortune 100 firms now have goals for renewable energy sourcing and/or greenhouse gas reductions. 53 of those companies have collectively decreased their annual CO2 emissions by about 58

Million metric tonnes – the equivalent of taking 15 million vehicles off the roads. In 2013 Wind energy alone generated enough power worldwide to surpass Canada's total electricity consumption in all of 2012.⁶

Investing and supporting British Columbia's clean technology and renewable, sustainable energy industries today will create new jobs, ensure British Columbia is a competitive leader in the world's future energy markets, all the while providing alternate, reliable sources of energy for British Columbia and



1 http://www.mckinsey.com/insights/energy_resources_materials/mobilizing_for_a_resource_revolution

2 <http://reneweconomy.com.au/2014/deutsche-bank-predicts-second-solar-gold-rush-40084>

3 <http://www.greenpeace.org/eastasia/press/releases/climate-energy/2010/windpower2010-release-en/>

4 www.cleanenergycanada.org/wp-content/uploads/2014/09/Tracking-The-Energy-Revolution-Global-2014.pdf

5 <http://corporate.walmart.com/global-responsibility/environment-sustainability/energy>

6 Sources: Clean Energy Canada, Alberta Electric System operator, Bloomberg New Energy Finance, Clean Energy Council, Renewable Energy Policy Network for the 21st Century, US Department of Energy, U.S. Energy Information Administration World Wind Energy Association

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export partners. Increasing the use of clean technology and renewable energy is also an important climate change strategy for British Columbia and will assist British Columbia in reducing greenhouse gas emissions to acceptable levels. Carbon pricing policies implemented in a variety of countries have proven to accelerate the advancement of clean technology and renewable energy sectors. British Columbia's carbon tax policy has given B.C. an exemplary international reputation which needs to be maintained and improved upon.

The scope of these opportunities are poorly understood. While investments in renewable energy are well underway in many jurisdictions the scope of change required will be well beyond electricity generation. Innovation in terms of new technologies and new practices will be required in a range of other areas.

Sector	Examples of Technology
Electricity Access	<ul style="list-style-type: none"> • Upgraded Power Grids • Off-grid technologies
Water Management	<ul style="list-style-type: none"> • Wastewater Treatment
Waste Management	<ul style="list-style-type: none"> • Recycling • Energy capture from landfills
Climate Change/Reducing Emissions	<p>Mitigation technologies</p> <ul style="list-style-type: none"> • Upgraded power grids • Renewable energy, wind, solar, geothermal, geoexchange, tidal, biomass, hydro, etc. • Electric and hybrid vehicles • Carbon Capture and storage <p>Adaption technologies</p> <ul style="list-style-type: none"> • New cultivation practices • Climate resistant infrastructure: sea walls, drainage capacity, water, forest and biodiversity management etc.
Transport	<ul style="list-style-type: none"> • Rapid Transit systems • Low emission vehicles and fuels, biogas, natural gas and plug in electric
Building Energy Efficiency	<ul style="list-style-type: none"> • Thermal Insulation • Energy efficiency programs • Best practice building codes

B.C. is in a unique position to thrive as a global leader in many of these areas. The leadership shown by the provincial government on climate change can be leveraged into a thriving industry in B.C.

It should be recognized that the provincial government has placed a focus on the green economy. Technology and Green Economy forms a part of the [B.C. Jobs Plan](#). In addition, the Provincial Government has also developed "[B.C.'s Green Economy – Growing Green Jobs](#)."

The government's focus on B.C.'s green economy centres on our natural resource industries as a platform for the development and adoption of clean-technology innovations. The Chamber recognizes that this is a sound strategy. It allows the private sector to adopt innovative solutions to real problems facing resource industries. This presents a unique opportunity to present real solutions to real problems facing resource industries around the world.

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However, B.C. needs to move beyond the limited focus on B.C.'s traditional industries and make B.C. a global leader in all aspects of the new emerging global green economy. As an example the provincial government needs to make clean technology, including renewable energy production and the manufacture of renewable energy producing products (like solar panels, wind turbines, etc.), a high priority in British Columbia in an effort to grow a diversified 21st century economy in British Columbia.

This strategy should be broad and to be successful would have to address the following challenges:

- build a stronger industrial structure, i.e. larger SMBs and larger firms entirely dedicated to the environment and green technology;
- develop and accelerate the marketing of homegrown technologies;
- capitalize on local markets to stimulate growth in the environmental and green technology industry;
- increase exports and acquire a strong position in buoyant niches in international markets; and
- achieve the convergence of the efforts of all players in the sector.

While market forces will a key determinant of successful new technologies government have a critical role to play in setting the scene for this societal shift. We have seen a number of instances where government has been successful in initiating programs that have resulted in positive outcomes. As already referenced the carbon tax has been a resounding success in reducing B.C.'s greenhouse gas emissions while having no negative impact on the rate of growth in the B.C. economy. In addition, we have seen the BC Hydro Power Smart program result in a significant reduction in electricity consumption through a range of programs, including targeted incentive and rebate programs.

Both of these are clear examples of government being instrumental in targeting positive outcomes and using a mix of market forces and incentive programs to encourage specific behavioural shifts. B.C. is not alone in using these mechanisms and indeed many jurisdictions have gone further. Jurisdictions around the world have implemented a number of programs ranging from information programs to incentive and rebate programs. Indeed, we have just seen the election of a provincial government in Alberta that is committed to a boost for renewable energy and a green retrofitting loan program.

To ensure that B.C. is able to move quickly to establish ourselves as a global leader government we should look to best practices globally to identify programs that encourage the production, sale and purchase of renewable energy and green products.

B.C. has an undeniable advantage to be at the vanguard of addressing the challenges raised by today's industrial and environmental issues. This will require consultation and a focused effort by government to play a leadership role in partnership with the private sector.

Conclusion

The emerging green economy represents the economy of the future generations. Future generations will suffer if we do not take action now to ensure that B.C. is able to realize its full potential. Actions by the provincial government have made B.C. a beacon on the international stage however this cannot be taken for granted.

B.C. already uses carbon taxes as part of their strategies to reduce emissions and encourage investments in clean technologies, energy-efficiency and renewable energy. B.C.'s initial carbon tax regime was and continues to be used as a model for other countries and jurisdictions. The provincial government needs to build upon B.C.'s international reputation and create and promote industrial and residential "green"

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incentives and rebate programs to attract, encourage and retain clean technology and renewable energy jobs in B.C.

This technology is in demand worldwide and will be a catalyst in driving a diverse 21st century economy in B.C. Jurisdictions around the world are looking to lead. Without a coordinated plan to build on our success we will quickly see B.C. overtaken and left behind in the new global economy, missing huge economic opportunities.

Investing and supporting British Columbia's renewable, sustainable energy industries today will create new jobs, ensure British Columbia is a competitive leader in the world's future energy markets, and provide alternate, reliable sources of energy for British Columbia and export partners. Increasing the use of renewable energy is also an important climate change strategy for British Columbia and will assist British Columbia in reducing greenhouse gas emissions to acceptable levels.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Develop and implement a plan to place B.C. as a leader in all aspects of the new global green economy, the conservation and efficiency industry, clean energy and clean technology sector;
2. Implement industrial commercial and residential "green" programs, based on global best practices and based on cost –effective market implementation to support, attract and retain clean technology and renewable, sustainable energy technologies in British Columbia; and
3. Continue to work with other provinces, the federal government and U.S. government to standardize and harmonize the costs of controlling carbon emissions.

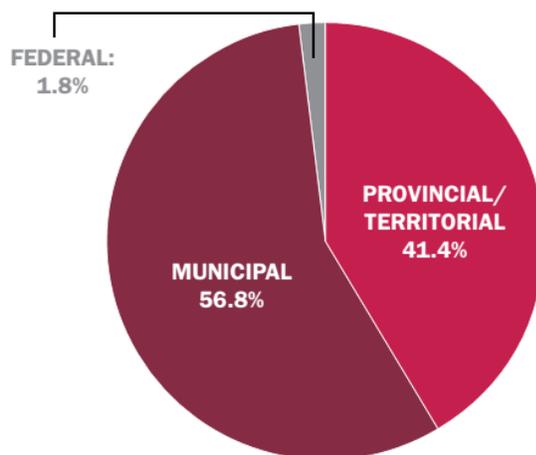
T RANSPORTATION AND INFRASTRUCTURE

PROTECTING OUR INFRASTRUCTURE - ASSET MANAGEMENT (2016)

According to a 2016 survey completed by the Canadian Federation of Municipalities (FCM), municipal governments own nearly 60% of Canada's core public infrastructure.¹ The value of these core municipal infrastructure assets is estimated at \$1.1 trillion dollars.²

Figure 1 - Net Stock of Core Public Infrastructure by Level of Government, 2013

Notes: Net stock calculated using a depreciation model. 2013 data based on forecast.
Source: *Updating Infrastructure in Canada: An Examination of Needs and Investments.*
Report of the Standing Committee on Transport, Infrastructure and Communities, June 2015.



Municipally-owned infrastructure assets include, but are not limited to:⁴

- water systems;
- roads and bridges;
- buildings;
- sport and recreation facilities; and
- public transit

The Federation of Canadian Municipalities estimates that the backlog of upgrade and expenditure of the existing municipally owned infrastructure in Canada to exceed \$123 billion dollars.⁵

In 2007, the Government of Canada launched the Building Canada Plan (BCP), which included a \$33 billion investment plan for federal, provincial/territorial and municipal infrastructure before 2014.⁶ Spending was accelerated under the Government of Canada's stimulus program in 2009 and 2010. In the 2011 budget, the federal government announced a process to develop a new long-term infrastructure plan

1 Federation of Canadian Municipalities (2016) *Informing the Future: Canadian Infrastructure Report Card*, page 5

2 Federation of Canadian Municipalities (2016) *Informing the Future: Key Messages*, page 2

3 *Figure 1 - Federation of Canadian Municipalities (2015) Policy Statement Municipal Infrastructure and Transportation Policy*, page 6

4 Federation of Canadian Municipalities (2016) *Informing the Future: Canadian Infrastructure Report Card*, page 5

5 Federation of Canadian Municipalities (2015) *Policy Statement Municipal Infrastructure and Transportation Policy*, page 2

6 Federation of Canadian Municipalities (2015) *Policy Statement Municipal Infrastructure and Transportation Policy*, page 1

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to replace the BCP, which resulted in the New Building Canada Plan (NBCP), a 10-year plan for federal investments in building and maintaining Canada.⁷

The NBCP was a federal government commitment to invest over \$53 billion in infrastructure across the country over the next 10 years (2014-2024).⁸

Two key components of the NBCP included:⁹

1. the New Building Canada Fund (NBCF) – a \$14 billion fund to support projects of national, regional and local significance that promote economic growth, job creation and productivity; and
2. the Federal Gas Tax Fund (GTF) – to date \$13 billion funding for local infrastructure projects, with close to \$22 billion anticipated to flow over the next 10 years.

To make the most of public investments, and eliminate the municipal infrastructure deficit, municipal governments need predictable, long-term revenue. The permanent and indexed federal Gas Tax Fund was a step toward that goal, laying the groundwork for a national plan to eliminate the municipal infrastructure deficit.¹⁰

The federal government's Economic Action Plan 2013, renewed the Federal Gas Tax Fund, indexing it at two percent per year, to be applied in \$100 million increments, which means that it will grow by \$1.8 billion over the next decade.¹¹

For British Columbia, the NBCP represents almost \$3.9 billion in dedicated federal funding, including almost \$1.1 billion under the New Building Canada Fund and an estimated \$2.76 billion under the Federal Gas Tax Fund.¹²

British Columbia also stands to benefit from:

- \$4 billion available for projects of national significance
- \$1.25 billion in additional funding available for P3 projects
- \$10.4 billion via the GST Rebate¹³

In the 2016 Federal Budget, the new federal government updated the NBCP numbers, increasing their commitment to asset management by an additional \$50 billion dollars. There will now be an additional \$60 billion over 10 years, split evenly between public transit, green infrastructure, and social infrastructure. This is in addition to the \$65 billion promised by the previous government for traditional infrastructure such as roads, bridges, and transportation. To fully leverage these funds, the provincial approach should be to group project priorities, and align provincial priorities with the available federal infrastructure funding opportunities.¹⁴

Federal funding is provided up front, twice-a-year, to provinces and territories, who in turn flow this funding to their municipalities to support local infrastructure priorities. Municipalities can pool, bank and

7 Federation of Canadian Municipalities (2015) Policy Statement Municipal Infrastructure and Transportation Policy, page 1

8 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html

9 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html

10 Federation of Canadian Municipalities (2015) Policy Statement Municipal Infrastructure and Transportation Policy, page 1

11 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html

12 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html

13 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html

14 Greater Vancouver Board of Trade, Provincial Infrastructure Strategy position 2016

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borrow against this funding which provides financial flexibility.¹⁵

With aging infrastructure and limited resources, our communities face huge challenges in financing the necessary repair, replacement and upgrade of our infrastructure. There are 196 municipal governments and 198 First Nations communities in British Columbia. Our communities, industry and businesses rely on our utilities, transportation and power system to sustain our business. Business interruptions due to broken water mains, poor roads, inadequate transit and other disruption causes economic loss to businesses and limits our ability to attract new businesses to our communities.

Our communities also face financial challenges from increasing standards and regulations without adequate financial mechanisms to pay for them. The primary resources at the municipal level are property tax. Our businesses pay a much higher tax rate than our residential taxpayers. Significant increases in property taxes are not affordable either for our businesses or for many of our residents.

Senior levels of government need to be more involved in renewing the basic fabric of our communities. Today, our communities receive only eight cents on every tax dollar collected by all levels of government, significantly down from 24 cents a decade ago.¹⁶

Our built environment or infrastructure is critical to the economic capacity and livability of our communities and the viability of our businesses within them.

Many communities are struggling with competing financial pressures and aging, failing infrastructure. Municipal budgeting processes currently fail to require accounting for future demands for infrastructure upgrades and replacement. Government support at all levels is required to renew our infrastructure as well as assist with paying for new and increased regulations and standards.¹⁷

While funding infrastructure remains a priority of the federal government, the emphasis continues to be on new infrastructure when our communities cannot reasonably cope with existing infrastructure. A core direction of current and new provincial funding programs needs to be directed to upgrade and replacement of existing infrastructure especially in medium and smaller communities with very limited tax bases.

A new report by the Canadian Centre for Economic Analysis (CANCEA) shows that the economic importance of public infrastructure investment is vastly greater than previously found using traditional economic models. Using unique agent-based modelling, CANCEA found that public infrastructure investments generate an economic return on real GDP that is almost eight times as large as the impact predicted by traditional economic models.¹⁸

A recent report entitled *'Investing in Ontario's Public Infrastructure: A Prosperity at Risk Perspective'* uses Ontario big data/big analytics approach to assess infrastructure impacts. The CANCEA team examined the long-term economic impact of Ontario's 10-year, \$130-billion infrastructure plan using its unique research platform called Prosperity at Risk. The research found that for every \$1 billion invested

¹⁵ www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html

¹⁶ www.cancea.ca

¹⁷ Federation of Canadian Municipalities (2016) Informing the Future: Canadian Infrastructure Report Card, page 6

¹⁸ www.cancea.ca

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in infrastructure as part of the Ontario \$130 billion 10-year plan, \$1.7 billion in provincial tax revenue will be generated relative to not making the infrastructure investment.¹⁹

The power industry estimates their backlog is in excess of \$300 billion for the renewal of the power grid plus unknown generation renewal costs.²⁰ There is also demand by school boards, health care facilities and universities and colleges for public funds for upgrades and replacement along with billions of dollars of assets owed directly by provincial, territorial or federal governments. However, for every dollar municipalities invest in local infrastructure, federal, provincial and territorial governments receive a combined 35 cents, mainly through new income and sales taxes – 18 cents going to Ottawa and 17 cents to provincial or territorial governments.²¹ There are benefits to investing in infrastructure for all levels of government.

Municipal governments are essential to identifying and implementing projects that respond to local needs, while contributing to regional, provincial and federal prosperity. However, municipal governments often lack the resources and expertise to deliver productive and sustainable infrastructure in a cost-effective and timely fashion. The cost and complexity of maintaining public infrastructure introduces significant risk to the effective use of taxpayer dollars. To alleviate this risk, provincial funding programs should require structured project selection criteria that will ensure value for money and continuity of high paying jobs in our communities.²²

The provincial and federal governments need to work together to prioritize investments to support trade-enabling infrastructure investment while building capacity of cities and communities to plan, build, and maintain their infrastructure over the long term. Prioritization and coordination between provincial ministries will help move goods that contribute to economic growth providing incentive for the private sector to make investments, while contributing to local economies through sustainable job growth and support to local businesses.²³

As the nation's Pacific Gateway, the provincial government must actively formulate an overarching strategy to prioritize investment, and attract federal funds. As communities in every province compete for funding, it is important that a consolidated provincial strategy is in place to ensure that attention is paid to the needs of British Columbia.

THE CHAMBER RECOMMENDS

That the Provincial and Federal Governments:

1. Execute as quickly as possible upon notice of Federal funding, the necessary Provincial-Federal agreements to ensure funding continues in a sustainable consistent manner that accrues to our communities for infrastructure improvements and upgrades, especially smaller communities for existing infrastructure, and required upgrades resulting from new regulations and standards;

¹⁹ www.cancea.ca

²⁰ Federation of Canadian Municipalities (2016) Informing the Future: Canadian Infrastructure Report Card

²¹ Canada 2020 – “Setting the New Progressive Agenda” June 2015

<http://canada2020.ca/crisis-opportunity-time-national-infrastructure-plan-canada/>

²² Greater Victoria Chamber of Commerce, Value for Money for Infrastructure Projects position 2016

²³ Greater Victoria Chamber of Commerce, Value for Money for Infrastructure Projects position 2016

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That the Provincial Government:

2. Develop a long term Infrastructure Strategy and Plan for British Columbia that:
 - a. Provides increased support for communities to report on the condition and replacement needs of infrastructure;
 - b. Amends the mandatory municipal budgeting process to require identification of future infrastructure needs;
 - c. Establishes project selection criteria that prioritizes infrastructure funding requests based on criteria such as national/provincial economic interest, return-on investment, and job creation; and
 - d. Aligns provincial funding priorities with the available federal infrastructure funding opportunities.

PUBLIC INVESTMENT IN BC FERRIES' INFRASTRUCTURE (2016)

Preamble

The Chamber believes that a safe, efficient and dependable ferry service directly supports the B.C. economy.

To help minimize operating costs, BC Ferries has made recent steps toward a more market-based approach as well as rationalizing routes and adopting alternate fuels.

Despite this and recent increases in ridership, BC Ferries has increased its fares to fund its 12-year capital plan for assessing and reinvesting in critical assets.

Business Issue

BC Ferries is a key transportation link that directly affects the quality of life on Vancouver Island and contributes to the B.C. economy.

The Province has established minimum service levels and has sets price caps. This leaves BC Ferries' options to realize sustainable business operations to: increase fares (up to a point), seek additional funding resources, or secure additional revenue streams.

Despite its efforts to reduce operating costs and even with 2015 increases in ridership, BC Ferries has increased its fares, which can affect employment opportunities and property values, especially in coastal communities, as well as B.C.'s overall GDP and tax revenues.

Background

BC Ferries serves as a gateway to Vancouver Island, facilitating commerce both on and off the island, no differently than Canada's national highways.

Since 2003, BC Ferries Inc. has operated as a private corporation, with a governance and regulatory framework overseen by the BC Ferry Authority and the independent BC Ferry Commission. This arrangement is legislated by the Coastal Ferries Act (The Act), and BC Ferries is bound by the terms of Coastal Ferry Services Contact (CFSC) between BC Ferries and the Province that outlines service levels and standards amongst the different communities in which it operates.

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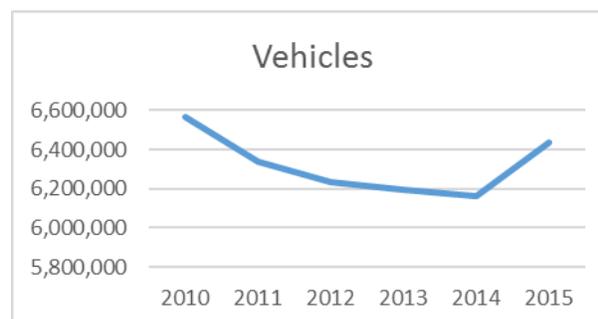
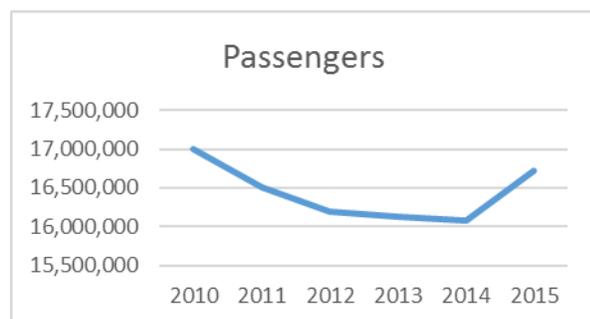
Impact

As stipulated in the CFSC, BC Ferries is an integral part of the B.C. coastal ferry system, linking Vancouver Island to the mainland and linking many other coastal communities. BC Ferries serves 51 municipalities and regional districts including all of Vancouver Island, the Gulf Islands, Texada Island, Powell River, the Sunshine Coast, many island communities within the Mount Waddington Region, as well as communities on the central coast, Prince Rupert, and Haida Gwaii.

The 2014 report, *Policy Paper on Socioeconomic Impacts of Ferry Fare Increases*, by the Union of B.C. Municipalities found that BC Ferries stimulates a total of \$1.8 billion in expenditures each year, which in turn produces \$1.5 billion in total value-added provincial GDP, and millions to Federal, Provincial and local governments' tax revenues.

BC Ferries has seen steadily increasing fares as well as an overall decrease in ridership since 2010.

	April 2010	April 2011	April 2012	April 2013	April 2014	April 2015	April 2016	Change
Passenger (12 years or older)	\$13.50	\$14.25	\$14.85	\$15.50	\$16.25	\$16.90	\$17.20	27.4%
Passenger (5-11 years)	\$6.75	\$7.25	\$7.45	\$7.75	\$8.15	\$8.45	\$8.60	27.4%
Standard vehicle (up to 20 feet)	\$45.00	\$47.25	\$49.25	\$51.25	\$53.25	\$55.40	\$56.45	25.4%
Standard vehicle (extra per foot)	\$2.25	\$5.35	\$5.60	\$5.85	\$6.10	\$6.35	\$6.50	188.9%
Motorcycle	\$22.50	\$23.75	\$24.65	\$25.65	\$26.65	\$27.70	\$28.25	25.6%
Bus (per foot)	\$3.65	\$3.85	\$4.00	\$4.20	\$4.35	\$4.55	\$4.65	27.4%
Commercial (per foot)	\$5.05	\$5.35	\$5.60	\$5.85	\$6.10	\$6.35	\$6.50	28.7%



Revenues

Ferry service is divided into three distinct components:

- Major routes – Delta, West Vancouver, Nanaimo, Sidney and Langdale;
- Minor Routes - Gulf islands, Sunshine Coast, Powell River, Mill Bay; and
- Northern routes –Port Hardy, Prince Rupert and Haida Gwaii.

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For the most part, the major routes are profitable and recoup enough revenue to cover the cost of operations. The minor and Northern routes contribute significantly to their operations, but are not able to fully cover their operating costs. For example, in FY 2015, the four major routes - Swartz Bay-Tsawwassen, Horseshoe Bay-Departure Bay, Langdale-Horseshoe Bay and Duke Point-Tsawwassen - had \$509,445,000 in revenues and \$352,106,000 in expenses, and a net-earnings of \$157,339,000. In the same year, the minor and northern routes - 20 in total - had \$108,348,000 in revenues, and \$183,502,000 in expenses, with a net loss from operations of \$75,154,000.¹

Every four years, the BC Ferries Commissioner sets price caps that essentially set a maximum average price BC Ferries can charge passengers. In September 2015, the Commissioner released its final decision on price caps for Performance Term 4 (PT4), capping increases to fares at an average of 1.9 percent per year across all routes from April 1, 2016 through March 31, 2020.

BC Ferries' options to realize additional revenues are to:

- increase fares (up to a point),
- seek additional funding resources, and
- secure other revenue streams, such as the reservation fees.

Of note, reservations fees generated \$13.1 million in FY 2015. Fiscal 2016 is expected to yield a modest increase in other revenue over fiscal 2015, reflecting consistent growth in these areas. Catering and retail revenues are anticipated to make up the largest component of other revenues.

Public Funding

Each year, BC Ferries receives significant provincial and federal support. In FY 2015, BC Ferries received \$178.4 million from the federal and provincial governments, though a federal grant and provincial "service fees":

- BC Ferries receives a federal grant fulfill the Government of Canada's obligation of providing ferry services to coastal British Columbia. The grant is based on the Vancouver Consumer Price Index (CPI). In FY 2015, BC Ferries received a 28.4 million grant; and
- BC Ferries receives "service fees" from the Province for the provision of services, which are based on activity levels. For FY 2015, fees transferred to BC Ferries amounted to \$150 million. The provincial services fees consist of three parts:
 1. Ferry Transportation Fees. These fees are designed to make 22 routes (which would otherwise be loss-making) financially viable without cross subsidization from the three major routes, which receive no ferry transportation fee. The fees are payable on a monthly basis based on estimated trips and are reconciled quarterly;
 2. Social Program Reimbursement. This payment provides a reimbursement to BC Ferries for toll discounts established by the Province and given to students, seniors, the disabled and through the medical travel assistance program. The payment is variable based on volume and amount of discounts provided; and
 3. Unregulated Route Fee. This fee provides funding for unregulated routes through a \$1.7 million per year flow-through for private operators.

¹ Route Financial Reports, 2014-2015 Annual Report to the BC Ferry Commissioner

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Capital Investment Funding

BC Ferries has a rolling 12-year capital plan for assessing and reinvesting in critical assets, including the replacement of BC Ferries 57-year old North Island Princess and the first of BC Ferries 50-year old Bowen class vessel replacements. It has received significant amount of federal funding in the past. For example, in 2010 the Government of Canada waived over \$119 million in duties waived for new vessels from Germany. In the Province's most recent attempts to secure funding through the federal New Building Fund found that BC Ferries' terminals and ships were not eligible.

BC Ferries is as much a part of the transportation structure of B.C. as the roads and bridges throughout the province. These roads and bridges are eligible for funding under a variety of federal infrastructure programs. BC Ferries' infrastructure, including ships and terminal facilities, should be eligible to receive federal infrastructure fund as does other critical transportation infrastructure.

Summary

BC Ferries has had difficulty accessing Government of Canada public capital infrastructure programs can affect fare affordability. Public investment in BC Ferries capital program would reduce cost pressures as BC Ferries renews its fleet and develops terminals and faces other capital costs. Given the Government of Canada's obligation to providing ferry services to coastal British Columbia, it only makes sense that BC Ferries capital infrastructure requirements should be eligible for federal investment.

THE CHAMBER RECOMMENDS

That the Federal and Provincial Governments ensure ferry infrastructure, including terminals and fleets, an eligible category for federal funding.

RIDESHARING – SUPPORTING INDUSTRY INNOVATION (2016)

B.C. residents are looking for [more transportation options](#) and ways to increase the affordability of living in Metro Vancouver and throughout the province. The taxi industry is overregulated and new business models of transportation are expanding globally. B.C. needs to introduce ridesharing legislation and remove red tape on our taxi industry to improve transportation affordability and flexibility. The most recent revisions to the *Passenger Transportation Act [SBC 2004]* are from 2004 and pre-date the internet-based innovation on display across many business models from transportation (ridesharing and vehicle sharing) to accommodation (Airbnb) amongst others.

Ridesharing, the ability of an average driver who has been through appropriate safety screening to use their personal vehicle to connect with a rider via a smartphone, is a key sector in the sharing economy. Ridesharing is currently available in hundreds of cities around the world, providing a new transportation option and flexible income opportunities for those wanting to drive. Regulations are required to provide the needed support for innovative transportation options and reassure the public that the service is safe.

The sharing economy is providing new economic opportunities for individuals and small businesses to increase the utilization of their assets by connecting with new customers via technology. [PWC](#) estimates that in 2013 the sharing economy generated \$15B in annual revenue compared to \$240B in the traditional rental sector. By 2025, it estimates that both sectors will grow to reach \$335B for a combined revenue of \$670B.

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Ridesharing provides a key opportunity. It has been shown to:

- Grow the number of rides in a city, e.g., [Portland](#), [Denver](#)
- Decrease impaired driving e.g., [MADD](#), [Temple University](#)
- Complement existing public transit, e.g., [Lyft](#), [Uber](#)
- Reduce car ownership, e.g., [LA Times](#), [Suzuki Foundation](#)
- Encourage passengers to share rides & reduce congestion, e.g., UberPOOL ([how it works](#), [why it helps put more people in fewer cars](#)).

Over 70 jurisdictions have adopted regulations that embrace ridesharing. The City of Edmonton was the first Canadian jurisdiction to adopt such rules, and Toronto, Ottawa, Hamilton, Calgary, the Province of Quebec, and many other Canadian jurisdictions are bringing forward regulations this spring. The [Competition Bureau of Canada](#) has encouraged regulators to support competitive markets by regulating ridesharing and reducing unnecessary red tape on traditional transportation providers.

Ridesharing regulations should be focused on enabling this innovative transportation option, while ensuring public safety and consumer protection. Below are key components of a regulatory regime for ridesharing:

- Ridesharing companies must obtain a provincial license and pay fees;
- Ridesharing drivers must have a valid, standard driver's licence issued by the province;
- To be allowed on the platform, ridesharing drivers must:
 - Pass a federal criminal background check;
 - Pass an annual vehicle inspection by a certified mechanic;
 - Have valid insurance that meets the requirements established by the province, and;
 - Have a safe driving record;
- Ridesharing drivers can only provide service through the use of an app, and the app must provide the customer with the name and photo of the driver, make and model of the vehicle, and licence plate number prior to the trip commencing. This means that no ride is anonymous and provides assurance to the passenger that the driver has been authorized to be on the digital platform;
- The app must provide GPS tracking and allow the passenger to share their ride in real time with friends and loved ones, meaning that every trip is tracked;
- Passengers must be provided the fare rate in the app, have the ability to estimate the cost of their fare, and only make payment for the trip electronically through the smartphone app. This also helps reduce the chance of the driver becoming a target for theft;
- The passenger must have the ability to rate every ride through the app to help ensure high quality and safe service;
- Ridesharing companies must have 24/7 customer service to respond in a timely manner to complaints; and
- Ridesharing drivers would not be permitted to hail, accept cash or use telephone dispatch services, leaving this market to the exclusive domain of taxi companies.

Ridesharing and traditional transportation models can complement each other to better serve British Columbians, just as they do in communities across Canada and around the world. Rather than competing with taxi companies, apps like Uber can grow the overall transportation industry. This is most likely because ridesharing has attracted a whole new group of passengers, people who cannot regularly afford taxis or drove themselves instead. In Los Angeles, for example, the for-hire vehicle market (which includes taxis, private cars and ridesharing) grew by nearly 400 percent in Uber's first three years. According to Portland's regulator, the total number of taxi and ridesharing trips in the city grew by more

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than 40 percent in the first three months after Uber and Lyft's arrival. This is an opportunity to level the playing field for the taxi industry and ridesharing companies by reviewing systems, including licensing.

Regulators in some jurisdictions, such as Edmonton, have also taken steps to remove unnecessary restrictions from traditional transportation providers, including allowing taxi companies to establish their own training and customer service standards, and set prices when a trip is arranged via a smartphone app that has a fare estimate option. There is an opportunity for the provincial government to work collaboratively with cities to ensure clarity and consistency of rules and regulations at the local level.

The provincial government has established the Passenger Transportation Act, ICBC, Motor Vehicle Act and these mechanisms can provide province-wide safety and licensing standards for ridesharing.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Bring forward ridesharing regulations that establish province-wide rules for safety and consumer protection;
2. Evaluate and remove unnecessary red tape on existing transportation providers to provide a level playing field; and
3. Coordinate the introduction of a ridesharing framework with a broader modernization of the Provincial Passenger Transportation Act and harmonization of municipal regulations.

SETTING THE STANDARD FOR TRUCK DRIVER TRAINING (2016)

There has never been a better opportunity to help the trucking industry obtain the skilled professional truck drivers it needs, and improve public safety at the same time. By 2020, the Conference Board of Canada expects the industry will need between 25,000-33,000 new truck drivers. Some of that demand will come from an expanding industry, while some will be needed to replace a retiring workforce.

The end result will be that within a few years, there will be a huge turnover in the men and women who currently sit behind the wheel of the big rigs that roll along on our highways. According to the *Business Expectations Survey* by Transport Capital Partners (TCP) in 2011, 70 percent of Canadian carriers experienced "unseated trucks."

At the moment, there is no mandatory training curriculum for truckers. The B.C. Superintendent of Motor Vehicles requires only a pass on a written examination and a 2-hour road test combined with a 16 hour ICBC-approved course on airbrake testing. There are cases in Canada where people have applied for and obtained a commercial vehicle driver's license in as little as three days.

Background

Trucks haul 90 percent of all consumer goods and food stuffs across Canada. They also handle 70 percent of our trade with the United States. According to the most recent data, trucking in Canada is a \$65 billion industry that employs over 260,000 drivers and somewhere in the order of 400,000 employees including dispatchers, office staff and managers. The industry consists of a few large companies and

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thousands of small and medium-sized businesses and independent owner-operators.

Trucking industry experts describe the current B.C. commercial vehicle driver test as minimal. It consists of demonstrating the ability to perform a short list of basic skills, such as shifting gears, safely merging onto highways, unhitching a trailer, backing up, parking and so on. “The road exam does not require the truck to even be fully loaded, and often times they are not required to even back up the vehicle,” says the British Columbia Trucking Association, whose organization is lobbying for better trained drivers.

Only a fraction of new commercial vehicle drivers has attended one of the dozens of truck driver training schools in the province for preliminary instruction. A student’s financial constraints often dictate what the schools are able to teach, in some cases teaching only to the level needed to pass the written and road tests, denying the further required additional driver training.

Driving schools are currently free to create their own curriculums which only need to meet minimal provincial standards. Currently Mountain Transport Institute (MTI) in Castlegar, B.C., is the only professional truck driver training school in the province to be accredited and registered by the Private Career Training Institutions Agency of British Columbia (PCTIA). “Our accreditation is your assurance that MTI meets and maintains the rigorous standards of educational and administrative excellence set out by the agency,” states Andy Roberts, the owner of MTI, a certified master trainer. “If you talk to many trucking companies, a person who has simply passed the road test, and has no skills beyond that, is not employable. That is not a person who you would want to give a loaded trailer to and send on a road trip over the Coquihalla between Kamloops and Vancouver,” says Roberts.

Driver training is complicated by different regulations in each jurisdiction within Canada and the United States. Concerns continue to be raised over inconsistent levels of training and weakness in license testing for commercial drivers. The FMCSA Federal Motor Carrier Safety Administration in the US is proposing minimum training standards while Ontario – that Canadian province is seeking mandatory entry level training for drivers.

Markel Insurance in Toronto, one the largest insurers of trucks in Canada, says, “Entry level drivers that do not take a recognized program at a recognized institution are simply not insurable. Very often we are asked if they can be insured with higher premiums – the answer is they are simply not insurable.”

Conclusion

Admittedly the industry has done a poor job recruiting new and/or young drivers. There are certain changes that can help, such as:

- Working with young people in high school to introduce them to professional truck driving at a much earlier age and providing them with opportunities to train for a professional driving career; and
- Changing the National Occupational Classification Code (NOC) for the occupation of truck drivers to give individuals the opportunity to qualify for funding and grants to support their training.

Developing an education system which produces competent, employable, commercial vehicle drivers begins with a solid base of fundamental training through the development of a “reasonable minimum curriculum” which is delivered to students to the same standard both provincially and nationally.

THE CHAMBER RECOMMENDS

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That Provincial Government and Federal Government, in coordination with the provincial and national trucking associations:

1. Create a minimum standard for accreditation of commercial driving programs based on the national occupational standard;
2. Require mandatory graduation from an accredited commercial driving program in order to qualify to take the exam for the professional driver license;
3. Amend the graduated license program to allow graduates of the accredited commercial driving program to obtain their Class Licence 1 or 3 upon graduation (as early as age 18); and
4. Amend the national occupational stand to move professional driving from a Class C to Class B.

THE NEED FOR AN INNOVATIVE APPROACH TO TRANSPORTATION FOR AN INCREASINGLY URBAN PROVINCE (2016)

Urban productivity, livability, and local community investment is highly dependent on the efficient and smooth movement of people, goods and services. As urban areas continue to grow, new infrastructure, demand management tools and innovative solutions will be required to maintain an efficient flow of people, goods and services.

Trend Towards Urbanization

Canada, and B.C. in particular, are becoming highly urbanized. Urban population (% of total) in Canada was last measured at 81.6% in 2014, according to the World Bank.

B.C.'s largest urban areas are at tidewater where a considerable number of our transportation bottlenecks are located. This affects transportation movements originating from outside these regions (goods moving from the remainder of B.C., western Canada, and U.S. to the ports and border crossings); trade from other nations (such as imports from Asia to B.C., Canada, and the U.S.) and economic activity generated within the Metro Vancouver region.

Importance of the Transportation System

This last decade has been an intense period of infrastructure construction and rehabilitation to respond to the needs of the national and international gateway. The provincial government's Asia Pacific Strategy is a highly ambitious plan to place B.C. as the gateway for the huge increase in trade traffic from the fastest growing economic region in the world. The overall strength of the B.C. and Canadian economy and significant population growth are placing a noteworthy strain on our entire transportation system.

All levels of government have committed significant funding for the expansion of the primary transportation infrastructure across the province as the next big driver of growth for the province (Port Mann Bridge, South Fraser Perimeter Road, Port of Vancouver Expansion, Roberts Bank Rail corridor improvements, Port of Prince Rupert Expansion, as a few examples).

There are many urban areas of the province that have significant congestion that result in lost productivity, increased costs, and harmful effects on the environment. B.C. needs to address these issues in order to remain prosperous.

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Our economic success in B.C. and Canada depends on being competitive on the world stage. We can't attract shippers to the port terminals in Vancouver if the goods will then be stuck on trucks in congestion on route to markets. We can't sell our natural resources on the world markets if the congestion delays absorb all profits or negatively impact the quality of agriculture products.

The provincial government faces significant challenges finding ways to fund the existing and future transportation needs in the province. The issue of funding for transportation has reached a crisis point in the Lower Mainland, including the Fraser Valley, where a significant portion of the future provincial growth and development is predicted to occur. The C.D. Howe Institute has estimated that traffic congestion costs Metro Vancouver up to \$1.2 billion per year, and without action, our business, communities and economy will suffer even more in years to come. The crisis in the Lower Mainland, as the gateway to the Pacific, creates a bottleneck that directly impact businesses across B.C. and Canada. Furthermore, as urbanization increases throughout the province, similar bottlenecks will grow within our other major centers.

Lack of Demand Management Techniques

The implementation of mobility pricing provides the tools for the existing congested urban areas and future urban centers to provide fair, equitable, flexible, source of transportation funding as needed for operations, capital maintenance, and future growth, and the appropriate levers to positively impact congestion.

Mobility pricing is a means to directly charge levies for the use of roads, including road tolls, distance or time based fees, congestion charges. Such charges are designed to provide funding, but more importantly influence congestion by discouraging driving on certain routes, discouraging travel at peak times, and encouraging the use of transit options. The application of congestion charges is currently limited to a small number of cities and urban roads, and the notable schemes include the Electronic Road Pricing in Singapore, the London congestion charge, the Stockholm congestion tax, the Milan Area C, and high-occupancy toll lanes in the United States.

An urban mobility pricing model provides incentives that can be effectively utilized to manage demand, which tolls alone can't effectively achieve. In the absence of effective price signals created by a mobility pricing (tolls, High-Occupancy Vehicle (HOV) lanes, congestion pricing levies, road pricing, and appropriate and available transit options), there is inevitably an increase in single-passenger vehicles and use, which then leads to increased congestion and bottlenecks. In short, simply investing in new capacity will not solve the cycle of congestion, a coordinated approach of mobility pricing, infrastructure investments, and transit investments need to be implemented. The Chamber has been consistent in its support for projects such as the Lower Mainland Gateway Strategy and the need for transportation infrastructure investments in other regions of the province. Underpinning this support is the understanding that these projects can only be successful if the associated transportation networks receive related improvements to improve the flow of goods both now and in the foreseeable future.

A key to B.C.'s long-term success will be strategic and long-term investment in high-quality public transit. With a road pricing model, users need the ability to choose and have the appropriate incentives to choose public transit. Transit investments by themselves will not reduce roadway congestion. However, they become more effective at reducing congestion if they are a critical component of a comprehensive strategy that includes complementary road pricing, mobility management strategies, and smart growth land use policies.

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Numerous studies, along with empirical evidence from around the world, clearly demonstrate that simply building new roads and other infrastructure in the absence of demand management techniques, including quality public transit options, will not alleviate congestion in the long run. In other words, in the B.C. context it is not one, or the other, but both.

This presents a unique opportunity for the provincial government to remove politics from transportation planning and to create a vision that provides clean, efficient, accessible, and reliable public transit covering the entire region, while introducing innovative mechanisms to ensure the efficient movement of goods and services. Current funding relies heavily on property taxes and a regional accountability. This places long term planning in the hands of municipal representatives who have to represent the region and their local municipality. A mobility pricing model will positively impact this inherent conflict of interest, those who use the network will pay, regardless of municipality.

Current Tolling Policy

Established in 2003, the provincial government's current tolling policy must be repealed. The current policy, only permits tolls to pay for new construction on specific pieces of infrastructure when a viable, free alternative is available. The "viable, free alternative" concept is highly subjective. The concept of paying for solely for the initial construction costs, ignores the longer term maintenance costs, inevitable replacement costs, or savings for additional growth. As such, tolling only certain infrastructure for a finite period of time (repayment of capital costs) creates divisiveness among communities, those who are currently paying and those who are not. In short, any mobility pricing tool should be a funding mechanism linked to the users "right to use" the transportation system as a whole, not specific pieces of the system. Coordinated regional planning for infrastructure and tolling policy is desperately needed to ensure that no area is unduly penalized by unequal tolling practices.

A 2006 survey of economic literature on the subject, however, finds that most economists agree that some form of road pricing to reduce congestion is economically viable, although there is disagreement on what form road pricing should take. The economic benefits of investment in transportation depend on reliable mobility and accessibility and in the long term, there is widespread agreement that the only way to preserve this is to ensure that there are appropriate price signals placed on the use of the transportation network (roads and bridges) across the region. This recognition is resulting in a global trend towards an acceptance of the necessity of mobility pricing as the optimal way to fund transportation improvements. Jurisdictions around the world are recognizing that to be sustainable, funding mechanisms need to combine sustainability with the principle of user pay while managing traffic demand; a well-designed mobility pricing system meets all of these criteria.

Public Engagement and Education

The unsuccessful 2015 plebiscite demonstrated the significant public resistance to additional taxation. Metro Vancouver residents are paying property taxes, fuel taxes, hydro levies, parking sales taxes, and transit fees to support the transportation system. It is important to highlight, that fuel taxes are a key funding component of the current system. Fuel tax funds not an ideal funding source as they do not effectively influence behaviour and their long-term sustainability is uncertain. As we effectively reduce the use of single occupancy vehicles, and implement electric vehicles, the funding source for further investments in public transit declines.

The results of the referendum showed strong support for improved transportation infrastructure. The primary criticisms were:

- concerns over too much tax;

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- prioritization of funds to communities in the region in the short and long term;
- ensuring the best management of such funds for maximum value; and
- utilizing a regional sales tax model which could be harmful to business and does not have a direct correlation to transportation use.

We have seen political support for a mobility pricing model at a municipal and provincial level, but this concept was not widely communicated as the future goal in the referendum process. Based on experience in other cities who have implemented comprehensive mobility pricing, public acceptance can be possible if quality transit options are made available from the start. Mobility pricing can fund the inevitable startup costs and can effectively be adjusted to keep traffic at targeted levels for the benefit of the public and business. Further engagement and education of the public is critical to build knowledge and gain public support.

Comprehensive Strategy

In circumstances where a mobility pricing is approved, a comprehensive traffic demand strategy should be created to ensure that transportation solutions are integrated.

Given the comprehensive network of roads, bridges, tunnels in the Metro Vancouver Region, the most appropriate model for the long term is a ‘regional mobility pricing strategy’ that focuses on alleviating pinch points, allocating costs to usage, is flexible to peak and non-peak periods and provides transparency in the use of generated funds. This model should focus on the use of the major road and transit network, not for travel within municipal streets, which are already funded by property taxes. The Chamber believes this proposal represents a fair and affordable ‘system for the Metro Vancouver region that will provide sustainable funding for infrastructure maintenance and further development of the transportation network, including bridges, the major road network and public transit throughout entire regions.

A mobility pricing model is the most equitable model of funding to provide the necessary funding to support the current population and the estimated growth.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Commit to funding transportation infrastructure investment and implementing policies that are equitable, efficient, and contains basic traffic demand management principles;
2. Make as a prerequisite of these visions, the need for investment in public transit to provide viable alternatives to single passenger vehicle travel;
3. Commit to working with regional stakeholders and agencies to implement an urban mobility pricing model as a foundation for sustainable transportation funding, including revising B.C.’s provincial tolling policy to positively affect the fiscal sustainability of existing and future transportation projects; and
4. Review the financial impacts of implementing an urban mobility pricing model with the objective of eventually replacing the gas taxes in concentrated urban areas as a means to generating necessary public support.

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TRUCKING ALONG WITH ELECTRONIC LOGBOOKS (2016)

As technology has advanced through the years, commercial trucks have become lengthier, more powerful and they have higher payloads. This gives them the ability to move goods across Canada and North America more efficiently than ever. As the industry continues to remove costs and improve efficiencies on the equipment side, there will be more and more pressure for trucking companies to find competitive advantages in productivity including, in some cases, pushing their drivers harder and harder.

Of course, as a society, we want the most efficient and productive transportation system possible while continuing to ensure the health and safety of the industry; the workers employed within it; and the rest of society that interacts with it. With increased volume of goods and materials moved by commercial trucking each year, and a growing shortage of professional drivers, there is now, more than ever, reason for companies to increasingly push their drivers to get the loads delivered as fast as possible, with the least amount of downtime.

This problem can be reduced with the mandatory use of Electronic Onboard Recorders and driver electronic logging devices (ELDs) in all commercial vehicles. Not only will the ELD's enhance the safety of the drivers and public at large, it will level the playing field for all companies involved in the industry.

Background

Currently most commercial truck drivers are required to fill out a paper logbook to track their driving and on-duty time. The problem with this is that it is on the "honor system" and it is very easy to manipulate the logbook to show that the driver is not driving as many hours as they actually are. This issue often creates driver fatigue leading to the potential of an increase in accidents and companies promoting unsafe work practices.

The use of electronic logbooks will reduce the opportunities for companies to push their drivers beyond the legal hours of service.

As the technology has become more reliable and cost effective, many companies have voluntarily adopted the use of ELD's. This assists employers in ensuring compliance of regulations, helps to gather driver and vehicle information needed to build databases and provides clarity to help control operating costs and streamline operations.

Electronic Onboard Recorders (EOBR) are, in effect, the same as the "black boxes" well known in the airline industry. They are computers that connect to truck systems and collect data about the activity of the truck. This includes engine activity (rpm, braking, idle time, speeds, engine fault codes, etc.). They are often permanently installed in a particular truck and connected by wire or wirelessly to the truck Electronic Control Module (ECM) which extracts the data needed by the EOBR.

The ELD is either an extension of an existing EOBR system (an add-on), or it performs both functions. The ELD records a driver's personal activity while using the truck (which may be all of the activity of the truck unless companies use multiple drivers on the same truck). Essentially, drivers are required to login to the ELD when they begin their day, and log out to end their day.

The ELD records all driver activity throughout their shift including things like driving time, load/unload time, safety checks, off-duty time, as well as their off-duty time between shifts. Because modern ELD

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systems utilize GPS, many of these activities are recorded automatically. For instance, drivers cannot manipulate driving time on their ELD because, if the truck is moving, the GPS system will put the driver on-duty, driving and record the distance travelled automatically.

Some in the trucking industry contend that ELD technology is too expensive, particularly for small, independent operators. In the past, that may have been a valid argument. Today, however, ELD technology has significantly decreased in price and systems that operate on a tablet or smart phone are available for as little as \$300 each, with an additional monthly charge of as little as \$25 for the required data plan.

Besides a reduction in the cost of compliance for trucking companies (internal auditing of manual logbooks, fines for non-compliance, etc.) EOBR and ELD technology provide companies with additional information for improving operational efficiencies, including GPS tracking of equipment; 2-way communication; fuel consumption information; idle time calculation; cycle/trip time data; speed monitoring; etc.). A typical payback on an EOBR/ELD investment can be as little as 6-18 months.

Conclusion

On Feb 16, 2016, the Canadian Trucking Alliance (CTA) said that officials from Transport Minister Marc Garneau's office, confirmed media reports suggesting that the new federal government would move forward to replace current requirements for truck drivers to complete paper log books, with a mandate that trucks instead be equipped with ELDs as the standard mechanism for monitoring, auditing and enforcing compliance with national hours of service regulations. While Transport Canada cannot give a firm date for introduction of the regulations at this time, it is expected to align implementation as closely as possible to the timetable for similar measures in the U.S. – late 2017 or early 2018.¹

While the U.S. have mandated that transition from paper to electronic logs is to be required by December 18, 2017, with some development exceptions, Canada has yet to institute a timetable to their expression of support to ELDs. Canadian drivers operating in the U.S. will be similarly impacted by U.S. requirements.

While the federal government has announced it will mandate the Electronic Logbooks by the end of 2017 or early 2018, the provincial governments across Canada are mixed about supporting the requirement.

ELD's would not change driver hours of service, only the way hours of service are recorded. The ELD's will not only enhance safety of both the drivers and the public, but give commercial vehicle inspectors an ability to easily enforce the current regulations.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Follow the commitment made by the federal government (Feb 16, 2016) to mandate the installation and use of Electronic Logging Devices (ELD) in all commercial vehicles excepting those vehicles and/or drivers that may be deemed exempt from the use of such devices;

¹ cantruck.ca/feds-confirm-commitment-to-introducing-e-logs-and-e-stability-control-for-trucks/

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2. Adopt the same technical standard for what constitutes a compliant Electronic Logging Device (EDL) as will be established and enforced by the Federal Government; and
3. Support a position of mandating ELD's on the same timetable as the Federal Government, in all provinces across the country.

BUSINESS CONTINUITY AS A COMPONENT OF EMERGENCY PREPAREDNESS (2015)

A healthy community includes a strong and vibrant business community. In order to return a community to full function following a community disaster or crisis, it is critical that businesses be returned to operation as quickly as possible. To cope with crises or disasters of various scales, it is necessary that the province establish business continuity as part of provincial emergency planning and that procedures and templates for local government include business continuity plans.

Business Continuity Planning (BCP) is best described as the processes and procedures that are carried out by an organization to ensure that essential business functions continue to operate during and after a disaster. By having a BCP, organizations seek to protect their mission critical services and give themselves their best chance of survival. This type of planning enables them to re-establish services to a fully functional level as quickly and smoothly as possible. BCPs generally cover most or all of an organization's critical business processes and operations.

As with other aspects of community life the contribution from business following a disaster is essential. It is our experience from recent disasters in B.C. Communities that businesses are key components of disaster recovery yet there is currently little in the way of coordinating access to the necessary business who have the capability to effect the work required to return a community to effective service levels following a disaster. In addition, many businesses do not have BCPs in place which is why we are seeking templates and procedures so that we can encourage business owners to be prepared for disasters. If these templates and procedures are common throughout the province and connect to DRP that are common throughout the province return to function following a disaster will be efficient and neighbouring communities will be knowledgeable when providing assistance.

Communities that are the most resilient are those that have a complete and comprehensive plan that encompasses all facets of the community. Current plans include provisions that elicit a response from health care, first responders and emergency services, but not business continuity with the same clarity. This creates a slower return to normal function as business is the key driver to recovery through the supply of much needed goods and services.

Chambers, economic development offices and business improvement associations across the province are uniquely positioned within the community to mobilize quick and effective responses. They have established relationships on a local, regional, provincial and national scale, including comprehensive databases and the ability to activate the resources required for recovery.

Recognizing that some plans are in place and that further work is required to include business continuity in those plans.

THE CHAMBER RECOMMENDS

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That the Provincial Government:

1. Work with the BC Chamber of Commerce, the British Columbia Economic Development Association and the Business Improvement Areas of B.C. to incorporate business continuity plans into the current emergency preparedness plans; and
2. Adjust the Provincial Emergency Management Act to include procedures and templates for local communities which reference the local Chamber of Commerce and other business organizations as key components of emergency planning.

IMPROVEMENT TO B.C.'S HIGHWAY PERMIT SYSTEM (2015)

Transportation in general is very important to the Prince George economy and the surrounding communities in northern B.C. Two main corridors exist with highway 97 running north south and highway 16 running east west. In preparation for the upcoming construction of Liquefied Natural Gas (LNG) pipelines we need to re-examine the permit process in B.C. to ensure consistency across other provinces in the delivery of oversized goods and materials which will be required as LNG construction starts. In addition to LNG activities, increases in the forest sector and mining sectors, combined with larger machines required to complete construction and harvesting activities are driving the need for permit reform.

Currently these highways are divided into corridors that have individual weight and size limitations. There can be multiple weight jurisdictions contained within the individual corridors. Lead time to secure an Extra Ordinary Permit (over 65 Tonnes/Gross) can take up to 10 days in B.C. while this can happen within 2 hours in Alberta, Saskatchewan, and Manitoba. If a change is needed, the process must be restarted or in some cases can be amended, but this requires considerable effort. Normally these changes do not have any adverse impacts, but the exercise results in multiple delays and, sometimes, parked cargo. The Permit offices are also not consistent in their application of the current rules. For instance, one company hauled numerous Caterpillar 769 Rock Trucks for a customer's location in Prince George to Barkerville and was required by the permit given to have 1 pilot car for an over width load. They then moved these same trucks back to the Prince George yard, 6 months later, and they required 2 pilot cars with the lead car having a second person in it to basically monitor the radio. These are only 7 axle loads (with axle weights licensed to max), but total gross weight between 65-70 tonnes. This type of scenario is very typical, and it costs the owner of the equipment being moved more to get the job done. The Ministry needs to train and hire more employees to issue regular permits. It takes hours to get a simple Single Trip, overweight, or oversize permit from our Dawson Creek office, unlike Alberta permitting where businesses usually get regular permits immediately via the internet. Alberta permitting allows business to apply, input all the data of the load and submit the request. Usually within 10 minutes, truckers have a legal permit printed out and in their hands.

From our understanding, the reason business in northern B.C. are having problems with Extra Ordinary size loads is that our bridges are old and the Ministry is concerned that they may bare too much weight. While there is some merit to this, we don't totally agree. As an example, two loaded trucks crossing the same bridge in opposite directions (each with gross weights of 64 Tonnes) will impound the bridge with a gross weight of 128 Tonne (2x64) which is nothing outside of a regular permit. However, if we need to haul an oversize load of say 85 Tonne, we need an oversized permit to cross this same bridge. As an example of this, a low bedding company was hired to move a track crusher with a gross weight 84.36

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Tonne (including truck & trailers) from Prince George to Wells. Due to two small bridges south of Hixon the Ministry would not issue the permit. The company ended up going around McBride, Blue River, Little Fort up to Quesnel then over to Wells. This cost the company over double the costs it should have. Then when moving the same crusher back to Prince George, the Ministry issued a permit to haul it directly via Quesnel north to Prince George, which was the requested route when heading south. There is just no consistency. We do see the main problem as being that some bridges on Hwy 97 north are in dire need of being replaced if we ever want to get the corridor to an 85 Tonne corridor like Alberta. The bridges in question are the two bridges south of Hixon, Salmon River Bridge north of Prince George and the Parsnip River Bridge at Mackenzie junction north of Bear Lake.

All in all, we would like to see the western provinces all working together under the same process.

Other issues that are created by the Permit office surround the urgency of requests, curfews, and timeframes required to move such objects. In one such example, several phone calls were made to the overload department to get clarification on a delay to issue a permit and it was determined that the delay was the bridging department in Victoria, and as such they were in no hurry to assist the approval on this move. The urgency was a customer had already collected the funds for the sale of a Caterpillar 330 including the freight, and for us to meet the one and only barge out of Prince Rupert for 6am Friday morning. The urgency was expressed on many occasions, as the next barge is not for another 30 days. We advised this was to start on Monday the 16th in order to meet the customers' requirements, as well as the provincial hauling regulations for curfews on this load. Eleven days later, we still did not have an approval in place.

On day twelve the low bedder received the approvals for the overload, and after the low bedder and the customer had made major attempts to put this together, and pay late load fees for the barge to load on Sunday. They discovered that the conditions of overload permit limit travel to between 12:01am and 5:00am and nothing on Saturday or Sunday which in turn is a structural decline on the permit. When the low bedding company attempted to put its paper work in order for the next barge, it was told that no, that you need to wait until 48 hours ahead and then call to get the permit.

We believe there is no valid reason for the 48-hour restriction, when an issued overload permit states that it is valid for at least 8-week in the future. These companies work on a schedule. By delaying these companies in B.C., the Ministry is creating a serious cause and effect situation that will rumble throughout their scheduling over the next 6 weeks as they move an 11 axel unit from B.C. to Ontario, and on to Miami. The amount of time required is 2 hours to process permits in every other province except B.C. needs 21 days. This could have been improved with a single point of contact instead of making the end user apply to each different department of the Ministry.

While the above scenarios are real life examples of the troubles of the permit process, one consideration that needs to be addressed is that of safety. Permit requirements exist as a means of enforcing safety rules and regulations, however when the system becomes too cumbersome to use properly, work a rounds are created and these are far more dangerous to the general public than creating an overall 85 tonne corridor to service the province.

THE CHAMBER RECOMMENDS

That the Provincial Government:

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1. With an objective of facilitating permit approval for vehicle combinations and loads up to 85 metric tonnes, upgrade infrastructure on existing routes designated as heavy haul corridors where specific impediments exist and on routes that are of interest to industry requirements but are currently not designated as heavy haul corridors;
2. Develop an online permit application process which also allows for an amendment to be filed on an already existing permit in real time;
3. Develop a closer alignment of respective permit policies, for heavy, oversized loads, within the western provinces of B.C. Alberta, Saskatchewan and Manitoba to better facilitate through movement of cargo;
4. Extend the time frame to purchase extra-ordinary permits greater than 85 tonnes from 48hrs to 14 days; and
5. Consider establishing an additional alternate Provincial control office at a more central location within the Province with the view that such could contribute to greater efficiency and reduce untimely delays in securing and expediting permit applications which should be applied with greater consistency.

INVESTMENTS IN NORTHERN HIGHWAY INFRASTRUCTURE (2015)

Background

Northern B.C. plays an integral role in the overall economy of the province. Northern exports per capita are more than one and a half times the provincial per capita export amount. The ongoing growth of exports leaving Canada via the Port of Prince Rupert, and other northwestern ports, to key Asian markets continues to increase the importance of a safe and efficient highway infrastructure throughout northern British Columbia in order for the province to fully realize its economic potential.

While the Province has made significant investments in improvements to highways in the north over the past decade, further and rapid investment continues to be required in order to enhance the safety and efficiency of these critical components in a supply chain which is driving growth in the economy of British Columbia. There still remain large portions of the highway infrastructure along these important trade routes which are largely two-lane. This creates safety and efficiency issues as growing levels of both passenger traffic and commercial traffic share space within restricted laneways. As well, higher clearances are required in some areas of the highways to enable direct and less expensive transport of large equipment within the north. Finally, substantial rerouting of some portions of the inter-provincial highway system needs to be undertaken to remove commercial traffic and dangerous goods from downtown urban areas.

The need for these investments in the northern highway system is further amplified by the number and scale of numerous pipeline and energy projects proposed for the north. With over \$60 billion in major projects and investments proposed for the region, a positive investment decision and commencement of construction for just one of these projects will significantly increase traffic on the northern highways. As an example, pipeline projects may be between 600 and 900 kilometres long. With trucks carrying two to three 50-foot sections at a time, a single pipeline installation could generate 15,000 or more additional

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truckloads on the roadways during construction, simply to transport the sections of pipe required, let alone transportation of other components, equipment and personnel.

With the Province's recent publication of its BC On the Move: A Ten Year Transportation Plan, the Chamber is encouraged to see many of these necessary investments in the northern highway infrastructure identified. However, there are some necessary improvements not identified in the Plan, and some priority areas that the Chamber wishes to ensure are specifically addressed within the scope of work stated in the Plan document.

THE CHAMBER RECOMMENDS

That the Provincial Government includes in the ten-year transportation plan a number of improvements to highways in northern B.C., specifically:

- a. Within the stated priority to improve the safety and reduce traffic congestion in Quesnel within the work to be undertaken on Highway 97-Cariboo Connector, undertake the construction of a truck route and bridge improvements in Quesnel to move dangerous goods out of the downtown core and to shorten travel time for long haul loads and log haulers;
- b. Similar to the stated priority of improving safety and reducing congestion in communities for Cache Creek and Quesnel, but not identified in the Plan, undertake the rerouting of Highway 16 to the south of Prince George city proper, so that this heavily traveled commercial and dangerous goods route no longer bisects the downtown of a major city, and provide the same improvements to safety and congestion in Prince George as are planned for Cache Creek and Quesnel;
- c. Within the stated goal of initiating planning for future projects on the Cariboo Connector after completion of the remaining Phase 2 projects, determine a timeline and commit budget for the four-lane expansion of the remainder of the Connector by 2025;
- d. Within the stated priority to upgrade and replace structures such as bridges and overpasses to accommodate industry needs, embark on technical and safety improvements to Highway 97 from Quesnel to Dawson Creek which will enable 5.3 metre (18 foot) high clearances for transporting large manufactured equipment between Central and Northeast B.C.;
- e. Within the stated plan of adding seven new passing lanes on Highways 16 and 37 in the northwest, ensure that at least two such lanes are placed between Prince George and Vanderhoof; and, further, determine a timeline and commit budget to complete a four-lane expansion for Highway 16 between Prince George and Vanderhoof by 2025;
- f. Within the stated implementation of the Road Safety Improvement Program, conduct a needs assessment of the Cariboo Connector and Highway 16 to identify high-priority areas for the installation or alteration of median, guardrail and wildlife barriers to improve highway safety and access for emergency vehicles;
- g. Upgrade the Liard River Bridge on highway 77 over the Fort Nelson River. This is a single lane Bailey bridge, at over 1000 ft., it is one of the largest in the world and is the only link to the Horn River Basin. When closed for any reason it requires a 600 km detour through Alberta; and
- h. Within the stated safety priorities and goals to upgrade highways in support of the natural gas industry improve highway 97 between Fort St John and Fort Nelson, (recently named the 4th deadliest highway in BC), through investment in passing lanes and highway maintenance.

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2014 TRUCKING DISRUPTION – PORT METRO VANCOUVER (2014)

The operations within marine terminals at Port Metro Vancouver have resumed and are in a recovery mode following a 28-day withdrawal of services by non-union truckers and a subsequent strike called by Unifor-VCTA owner-operators during the later period of the truckers' dislocation to port operations. This dislocation follows a similar 47-day work stoppage in 2005 pertaining to drayage compensation and escalating fuel prices, which was exacerbated by price undercutting practices by some drayage carriers and terminal delays being encountered to handle container traffic at the port.

The most recent dislocation held up cargo with an economic value in the order of \$750 to \$885 million per week and thus negatively impacted the regional, provincial and national economy by approximately \$3.5 billion. The B.C. Government, along with assistance from the federal government and Port Metro Vancouver brokered a sidebar deal with UTA and Unifor without input from the trucking sector or other stakeholders to get the trucking entities and port operations functioning again under a Joint Action Plan, which includes the involvement of Mr. Vince Ready, federally appointed facilitator.

The results of the above dislocation have seriously damaged the reputation of Port Metro Vancouver, as the 4th largest port in all of North America handling more than half of containers that go through Canadian Ports¹. Some 2,825,475 TEU's (twenty foot equivalents) were handled during 2013 according to PMV statistics². Approximately 4500 ILWU longshore personnel are employed in local port operations. The ILWU are working under an unprecedented 8 year negotiated contract intended to provide labour stability in the Gateway which has been disrupted, yet again, by this most recent 28-day work stoppage by truckers.

Port Metro Vancouver is the landlord of the port's federally-owned land. It does not operate the container terminals, it does not contract with shippers, it does not employ truckers, nor does it have any jurisdiction to intervene in any way with negotiations between truckers, their employers and government. Coming out of the 2005 resolution, the port introduced the Truck Licensing System (TLS), which has become one of the mechanisms that caused Port Metro Vancouver to be an involved party. Furthermore, in December 2011, Port Metro Vancouver launched a stakeholder engagement process to develop a broadly supported, long-term vision for the container trucking sector that would enhance the Port's global position as a sustainable and competitive supply chain leader. In February 2013, Port Metro Vancouver announced its Smart Fleet trucking strategy, a three-year action plan to achieve excellence in the local container trucking sector. Smart Fleet is a plan that is guiding the work with industry and government to drive performance, accountability, sustainability and transparency within the container drayage supply chain.

The introduction of a reservation system wherein the trucking industry is required to secure a reservation to pick-up or to delivery laden or empty containers is currently considered to be seriously flawed. The system is unable to provide sufficient and timely reservations with any reasonable degree of reliability. It frequently impedes the flow of container traffic and is adversely affecting Vancouver's reputation as a Gateway for container trade to and from global markets.

There are numerous issues facing the drayage sector including the conflicting employment and contractual arrangements between drayage carriers with various of unions and non-union truckers. Some truckers are employees of drayage firms and are paid on an hourly basis and others are dependent

¹ Shipping in Canada 2008, *Statistics Canada*

² Port Metro Vancouver Website, Facts and Stats

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operators paid on a per trip basis, which results in various levels of earnings and compensation depending on the port turn time achieved for trucks. Over the years, despite set rates for non-unionized, independent container truckers, there has been systemic undercutting of those rates by as much as 50%. Marine terminal service levels have also exacerbated the situation.

The most recent withdrawal of services was achieved by a small core of owner-operators intimidating and harassing drivers who would have otherwise preferred to work. Unfortunately, for the most part this illegal activity was not subject to police enforcement. This is not to suggest that the trucking industry does not have valid issue deserving of addressing – which is acknowledged by all parties.

The fact that, for the most part, the withdrawal of port services was perpetrated by non-unionized owner-operators who only represent a portion of the container truckers and the support by 1 union (Unifor) representing 12 companies created extreme challenges. The task in dealing with a multitude of individual competing trucking firms and independent operators can be onerous for Vince Ready to make recommendations to the assorted parties being trucking firms, trucking owner operators, terminal operators and Port Metro Vancouver as well as the provincial and federal governments. Understandable concern within the industry questions whether this latest round of concessions merely represents a “Band-Aid” solution which may not lead to long-term stability and be subject to repeat performances of labour strife.

This latest disruption in handling container traffic has been devastating to both shippers and importers. For smaller companies, the ability to divert traffic to other ports has been extremely limited, costly and in some cases prohibitive. Shippers and importers have been held hostage to this strife and severely penalized with storage charges for substantially inaccessible cargo in terminals because drivers were being threatened and their employer/contractor trucking companies chose not to subject them to harm. Storage charges of several hundreds of dollars per day have resulted in the closure of a number of small businesses.

The severity of the damage caused by the 47-day work stoppage by truckers in 2005, coupled with the 28-day stoppage in 2014, prompts Industry to have grave concerns as to whether this latest round of appeasement merely represents a “Band-Aid” remedy instead of a permanent solution. Will exporters and importers be subject to continuing repeat performances of labour strife of this nature in the not too distant future?

Following the 2005 trucking disruption, the Federal Task Force review produced certain recommendations that have not been implemented. This latest trucking disruption will serve to justify inquiry into referenced Report, review and update subsequent developments with a view to developing long range solutions with potential regulatory requirements.

Therefore, it is submitted that these issues are deserving of careful examination to better determine long term solutions.

THE CHAMBER RECOMMENDS

That the Provincial and Federal Governments:

1. Institute an official inquiry into the intricacies of the convoluted employment of union and non-union truckers under conflicting conditions;

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2. Examine the legal ramifications of such employment under prevailing legislation and/or regulations within both provincial and federal laws;
3. Explore “best practices” of trucking employment in other comparable port jurisdictions recognized for stable trucking employment to determine how they manage the relationship; and
4. Include industry representation throughout the process in order to provide the necessary context and help ensure the resulting recommendations are practical and will achieve long-term stability

BC FERRIES ROUTES AS A COMPONENT OF PROVINCIAL TRANSPORTATION INFRASTRUCTURE: INCLUDING THE MAINTENANCE AND LEGISLATIVE REVIEW OF THE DISCOVERY COAST FERRY ROUTE 40 (2014)

On November 22, 2013 the Government of British Columbia announced the cancellation of direct ferry services between Port Hardy and Bella Coola, the "Discovery Coast" Route 40 service, citing low ridership, annual operating deficits, and forthcoming vessel replacement costs as the rationale for service discontinuation. Local, regional, and provincial representatives expressed concerns about the decision, indicating that Route 40 is a critical component in facilitating the dispersion of tourism from the Lower Mainland through the rural regions of Vancouver Island and the Cariboo Chilcotin coast. They claim that these 'downstream' benefits of the service establish a clear business case for continued marine passenger transportation service between Port Hardy and Bella Coola. International tour operators are now questioning British Columbia as a vacation destination for their clients because of the decision to close this specific route.

The Chamber recognizes that government have a responsibility to manage spending. Indeed, the Chamber has called on government to review the ferry system to find savings that will not have a negative economic impact. The decision on Route 40 clearly does not meet this criterion.

Government has cited the fact that the route is operating at only 30% capacity. This represents a financial loss of \$4.243 million per year in terms of operating costs over fare revenue. Combined with the estimated cost of \$100,000,000 to replace the vessel in two years,¹ government has deemed that it is in taxpayers' interest to cancel the service.

The Chamber does not believe this is an accurate assessment of the impact of this decision. While the Chamber recognizes that travellers will still be able to travel along this route, what has been proposed by the provincial government in place of the direct service between Port Hardy and Bella Coola, is a much more laborious endeavour. Reducing the direct sailing service adds nearly 5 hours to an already 13-hour sailing, with a layover and passenger transfer at a place where no facilities exist, not even public washrooms. The Discovery Circle route is a strong tourism product used to attract international visitors, this reduced service is not encouraging travellers to use our ferry service, will have a negative impact on visitor numbers and therefore a profound negative impact on the region and the provincial economy.

As indicated in the Tourism Industry Association of BC's Economic Impact Study, compiled in January of this year, tourism businesses will feel these service reductions deeply. For businesses in this region, it is estimated that an average of 35% of their visitation and revenues are derived directly from Route 40

¹ Figures reported in <http://www.coastmountainnews.com/news/233860771.html>

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passenger spending. The North Island region is the second most reliant on Route 40 for tourism business revenue, with an average of 31% of revenues attributed to Discovery Coast ferry passenger spending.²

As part of the Discovery Coast Tourism Economic Impact Analysis, a survey was conducted with businesses in the impacted region. Half (50%) of the businesses in the survey region indicated that they already had reservations booked by visitors intending to travel the Coast Cariboo Connector Circle Route, with many indicating they are uncertain how to manage these bookings. Several written responses and comments from stakeholders during interviews suggested that the late announcement of service cancellation may be a contravention of the Coastal Ferry Services Contract, which they claim requires twelve (12) months' notice of any major schedule changes.

The report estimates that when the impact on visitor numbers is taken into account government actually stands to lose revenue. The report shows that with the loss of this route BC will see a loss of 15-30% of current Route 40 passengers on the Coast Cariboo Connector Circle Route who will choose a destination different from British Columbia if they are not able to travel this particular Circle Route.

This will result in a significant loss of revenue to operators and a loss of \$784,441 in provincial tax revenue.

Perhaps more disappointing is the lack of response to government on suggestions on measures to mitigate cost and grow revenue on the route. Tourism operators in the region have suggested that the route be limited to a direct Port Hardy – Bella Coola service. This would eliminate the need for a replacement vessel with cabins for a crew (one of the main concerns of BC Ferries in seeking a replacement) and it would also make the route more attractive to tourists. Mid-coast ferry service would continue to operate as it does during the bulk of the year.

By making drastic cuts to the Discovery Coast ferry service as well as system-wide cutbacks, BC Ferries is not just jeopardizing the health of the tourism industry, but also deconstructing a vital component of our provincial highway infrastructure. Common knowledge indicates that this infrastructure change will isolate rural areas of Vancouver Island as well as Central/Interior B.C.; impeding trade, transportation, and economic growth in the rural regions noted.

Our provincial government needs to acknowledge that BC Ferries, and their transportation & trade routes are an important and essential piece of transportation infrastructure to British Columbia. This reduction of service without consultation will carry broad reaching economic impacts on all communities, coastal or not, that are part of any circle route in the province that relies on ferry transportation as part of that route. The cuts to the Discovery Coast ferry service involve the elimination of the key direct route between Bella Coola and Port Hardy, which economic studies show to be profitable to the province. It is also important for the government to understand that aside from the broad economic and infrastructure implications, elimination of this route will prevent existing international tour operators from acknowledging B.C. as a tourism friendly destination.

THE CHAMBER RECOMMENDS

That the Provincial Government:

² <http://www.tiabc.ca/pdfs/Discovery%20Coast%20Tourism%20Impact%20Analysis%20-%20201-6-14-FINAL.pdf>

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1. Reverse and defer any service reductions to any routes until adequate economic impact studies are completed
2. Require BC Ferries to complete a formal and independent 3rd party conducted, economic impact study prior to the closing or severely reducing service of any routes that would impact other components of provincial transportation infrastructure (such as circle routes), as deemed satisfactory to the provincial legislature; and
3. Issue a letter of intent to engage BC Ferries in review of existing cost structure & efficiency of all existing routes.

EAST-WEST CONNECTOR BETWEEN ABBOTSFORD AIRPORT & HIGHWAY 99 (2014)

Transportation is a major barrier to business and investment in southwestern B.C., and it must be addressed on a regional basis. While each municipality has specific challenges with the movement of people, goods and services, transportation and traffic concerns go far beyond individual municipal boundaries and must be considered on all fronts. The Province of B.C. is promoted internationally as a world-class destination, with Metro Vancouver as the gateway to the province. The municipalities of Surrey, Langley and Abbotsford have been identified as three of the four high growth areas in B.C. in the foreseeable future. It is vital for this region to have facilities and infrastructure to handle the existing and future demand to alleviate transportation gridlock and to protect our air quality.

Currently, passenger and commercial carriers en-route to or from Highway 99, the Canada/U.S. border and destinations in the southwest sector of the Fraser Valley are directed to travel on Highway 1. Residential and commercial development throughout the lower Fraser Valley and additional services and capacity at Abbotsford Airport continue to add to the stress and gridlock on Highway 1 from Abbotsford through Langley to Surrey. There is a demonstrated need for development of a provincial southern connector to link the Abbotsford Airport and Canada/U.S. border crossings with Highway 99, and Vancouver International Airport. At the present time, 16th Avenue through Surrey and Langley has been identified as part of the major road network by Translink and by the City of Abbotsford to the east. This high-capacity route is also deemed necessary for both capacity and safety reasons in the event of incidents that shut down Highway 1.

While some sections of the 16th Avenue corridor are 4-lane in parts of Surrey and Abbotsford, through the remaining sections and the Township of Langley it is a 2-lane road with deep drainage ditches on both sides. There are numerous uncontrolled intersections along the entire stretch, as well as many private driveways entering and exiting the roadway. The City of Abbotsford has acquired title to the property west of the airport that will provide a direct east-west connecting corridor to Highways 13, 15 and 99. The one remaining property to complete the Abbotsford portion of the corridor is still in active operation as a gravel pit however it will be available for acquisition within the near future.

The new 16 Avenue / Highway 99 Interchange jointly designed and constructed by the provincial Ministry of Transportation and Infrastructure (MOTI) and the City of Surrey at an estimated cost of \$24 million serves to recognize the importance of this highway transportation route. This progress additionally serves to encourage completion of the 16th Avenue Corridor by construction of the eastern link to the Abbotsford Airport and Highway 1.

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Designation of 16th Avenue as a provincial highway will serve to protect the right-of-way and facilitate development of the east-west corridor to significantly improve access, enhance safety, reduce stress on the environment and ensure consistent maintenance and upkeep of this high-traffic corridor.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Designate 16th Avenue as a Provincial Highway to connect Highway 1/Abbotsford Airport with Highway 99 and to provide more direct access to the Canada/U.S. border crossings, relieve the bottle neck of traffic between Langley and Abbotsford, and facilitate increased movement of people, goods and services as a result of increased passenger service and commercial activity at the Abbotsford Airport;
2. Commence property acquisition required to widen 16th Avenue to a 4-lane highway, develop frontage roads for residential traffic egress/ingress and reduction of north-south intersections across the corridor; and
3. Identify critical north-south intersections and install traffic lights to accommodate safe north-south travel.

FISCAL FAIRNESS FOR COASTAL TRANSPORTATION AND FERRY-DEPENDENT COMMUNITIES (2014)

Preamble

The government of W.A.C. Bennett realized it was important to build an integrated highway system to connect *all* British Columbians, to expand resource wealth and industrial/commercial growth. BC Ferries was established as a stand-alone, government-sanctioned monopoly to provide affordable regular transportation to ferry-dependent communities. The BC Ferry Corporation was created to operate as a tolled extension of the highway network connecting coastal communities, and it has always been considered “essential”. W.A.C. Bennett declared that a reliable and affordable connection between Vancouver and Victoria constituted an *essential service* because British Columbians have a right to uninterrupted and affordable transportation services to their communities.

The principle of Fiscal Fairness and regional equality is a commitment by government that all taxpayers are treated in an equitable manner, with services provided through government-supplied programs at comparable levels and prices regardless of where they are provided. B.C. has an economy with heavy reliance on resource extraction. Investment in rural areas and payment of tax revenues into the treasury from rural and remote areas from primary sectors such as forestry, mining, gas, and fisheries depends on reliable, affordable, and well-connected transportation corridors. It is in the interest of all British Columbians that all regions of B.C. experience fiscal fairness and regional equality in their transportation infrastructure.

Many businesses on the mainland-lower coast, the mid-coast, the northern and southern Gulf Islands, Vancouver Island, and Haida Gwaii are facing serious financial hardship due to the increased costs of the BC Ferries system. Alternatives may be more cost-effective for short runs connecting islands, or mainland communities which could have toll bridges or water taxis. It is in the interests of the businesses and

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residents of coastal communities and the Government of B.C. to explore more affordable and reliable options. Impacts to local economies and the provincial economy as a whole should be analyzed with the economic concepts of *price equilibrium* and *price elasticity*;

Background

In 2003, the BC Ferry Corporation was restructured into British Columbia Ferry Services Inc., with the government as the sole shareholder. Since 2003, BC Ferries has paid almost half a billion dollars to the government in dividends or loan costs. The money was paid by users of BC Ferries, most being residents of ferry dependent communities. Since 2003, the B.C. government has provided only a small annual subsidy to the corporation, which now experiences decreased ridership and increased cost of delivery of service. The Corporation currently holds long term debt in excess of \$1.3 billion.

BC Ferries services an area with 20% of B.C.'s population, not including the Greater Vancouver area, and a wide variety of industries and commercial enterprises, which together provide tax contributions of roughly 36% of B.C.'s annual revenue; yet this area only benefits from about 6% of capital expenditure on highways, including the expenditure on ferries. The region serviced by BC Ferries includes 51 municipalities and regional districts including all of Vancouver Island, the Gulf Islands, Texada Island, Powell River, the Sunshine Coast, many island communities within the Mount Waddington Region, as well as communities on the central coast, Prince Rupert, and Haida Gwaii.

Crown Corporations

Federal and provincial governments have used Crown Corporations to provide government services at comparable levels, this is Fiscal Fairness. Crown Corporations are most common in sectors such as transportation, telecommunications, utilities and power generation, and include alcohol sales, gaming, finance, insurance, agriculture and culture. Examples: Canada Post, BC Hydro, the BC Liquor Distribution Branch, BC Transportation Finance Authority (BCTFA), etc.

BC Hydro, one of the largest Crown Corporations in British Columbia, employs approximately 6,144 people, supplies power to approximately 94 per cent of the province's population, and owns 80 per cent of the province's electricity generation and distribution system. This allows BC Hydro to fulfill its primary purpose, which is to ensure that all British Columbians have a stable source of electricity at a regulated price regardless of where they live. This shows Fiscal Fairness.

In October 2008, BC Hydro made application for the removal of the flat rate, and introduced the Residential Inclining Block (RIB) rate which is a two-stepped conservation rate structure that provides incentive for conservation purposes, while it holds to the principle of Fiscal Fairness by establishing the same base rate for all British Columbians regardless of where they live. This application was approved by the British Columbia Utilities Commission (BCUC).

All residential customers will pay the same base rate up to 1600 kWh per two-month billing cycle. People who live in ferry-dependent coastal communities, where delivery costs are higher, are not required to pay more for electricity than the base rate charged to a consumer in the Fraser Valley or Prince George. The new conservation rate structure is revenue neutral and has been implemented to encourage conservation, not generate more revenue for BC Hydro through the two-step conservation rate.

The conservation rate applies equally to all residential and industrial customers regardless of where they live/operate, the kind of house/building they reside in, and how they use electricity.
(Source: 2012 Energy Conservation Rates, Ministry of Energy, Mines and Natural Gas and

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Responsible for Housing)

The Liquor Distribution Branch is a Crown Corporation with virtual monopoly status through the management of a centralized liquor distribution system. The LDB meets the test of Fiscal Fairness by providing for equal pricing of liquor products throughout the province through government-owned liquor stores that ensure an equal opportunity to access the same product selections at standard prices through a central catalogue. The LDB employs approximately 3,500 British Columbians and regulates the distribution, importation, and retailing of alcoholic beverages under the Liquor Distribution Act. The LDB operates approximately 224 liquor stores throughout British Columbia.

British Columbians who live on Salt Spring Island, Thetis Island, or Powell River are not expected to pay a different shelf price from a consumer who lives in Chilliwack, Prince George, downtown Vancouver, or any other place in British Columbia. The same shelf price for product carried within the catalogue is charged throughout British Columbia.

The BC Transportation Finance Authority is a Crown Corporation mandated to “acquire, construct, hold and improve transportation infrastructure... (It) is obliged to take full responsibility for providing services to the general public by holding and improving the infrastructure over their useful lives” (Source: Consolidated Financial Statements, Transportation Financing Authority, March 31, 2012)

The BCTFA has sole authority for development, management and administration of highways under the Highways Act. The BCTFA Crown Corporation owns all provincial highways, owns land held for construction of future transportation infrastructure, and related administration.

The Minister of Transportation and Infrastructure is responsible for the BCTFA, is the sole member of the Board of Directors, and is mandated under the Highways Act to work with partners and other levels of government to provide funding to develop and deliver cost-effective transit, ferry and cycling networks. In addition, the ministry is required to “open up B.C. through innovative, forward-thinking transportation strategies that move people and goods safely, and fuel our provincial economy.” (Source: Ministry of Transportation and Infrastructure 2013/14 Service Plan). BC Ferries financing structure sits outside this obligation, although its mandate is directly relevant to that of the BCTFA.

The level of funding provided to BC Ferries violates the government’s obligation to equitable distribution of revenue from taxes collected for transportation and economic growth. The lack of affordable ferries on the B.C. coast has created hardship for those who live in these communities, and is a major obstacle to economic growth and sustainability.

Pacific Gateway Investments

In 2010, the provincial government made the Ministry of Transportation and Industry the lead ministry with respect to *The Pacific Gateway Alliance* (PGA). This “alliance” brings together several stakeholders in a partnership of transportation industries and governments to oversee the multi-billion-dollar expansion of our port, rail, road and airport facilities in British Columbia. The PGA is mandated to represent the public interest by assisting in bringing together infrastructure, labour, and service reliability under the direction of a Pacific Gateway Executive Committee. PGA members include senior representatives from the Governments of Canada and British Columbia, the three rail companies, CN, CP, and BNSF, along with the Port of Metro Vancouver, the Prince Rupert Port Authority, and Translink.

The purpose of this initiative is to provide British Columbia with a comprehensive land and sea

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infrastructure so that we benefit from our expanding economic interaction with Asia Pacific countries. The Pacific Gateway Alliance has projects in excess of \$70 Billion in B.C., with an opportunity for more projects as needed. There is an identified deficit of transportation infrastructure on the coast of British Columbia and the island communities, including underutilized, single-use publicly-owned terminals, poor services for freight and cargo, and barriers to investment due to unreliable or unaffordable shipping to many communities. In the short term the province has committed to \$3.1 billion to increase major road and rail capacity, and a new provincial investment of \$700 million in B.C.'s major trade corridors. British Columbia Ferry Services Inc. is not a member partner despite the fact that it is the main network of connectivity with British Columbia coastal communities.

Conclusion

The time has come for the Government of British Columbia to treat BC Ferries as part of B.C.'s essential transportation system, and part of the province's economic growth strategy.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Support the principle of Fiscal Fairness in planning, funding, and development of the transportation corridors in B.C., to ensure secure private sector investment throughout B.C., and a prosperous economy; and
2. Prepare plans for alternatives for B.C.'s marine transportation corridor that include toll highways, toll bridges, and water taxis, with a costing plan that allows for potential private sector involvement, and that these plans be considered as an alternative to BC Ferries if suitable to the needs of the communities.

PROVINCIAL AIRPORT INFRASTRUCTURE INVESTMENT PLAN (2014)

B.C. is fortunate to have several international airports as well as many smaller regional airports. Naturally, airports are critical transportation links between our communities and are major economic drivers.

There is a large demand for infrastructure investment dollars for airports across the province and funding from municipal, provincial, and federal sources.

Currently, there is no master plan either provincially or federally that outlines infrastructure priorities for the province's airports. As it stands, spending decisions by governments on airport infrastructure is done on a local needs basis and guided by local lobbying efforts.

Furthermore, there does not appear to be any guidelines or criteria for investment towards airport projects by the federal or provincial governments. Most spending by either level of government is made under the justification of infrastructure and economic development spending.

Collectively, the provincial and federal governments should work together to develop a plan that will consult with businesses, residents, and airport authorities and provide solid research from users from around the province and neighboring districts that will encourage the most effective use of taxpayer

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dollars on airport improvements. Criteria should be established that differentiates between spending on critical basic needs and spending on desired, non-critical improvements.

In the interest of realizing the greatest economic impact and responsibility for taxpayer dollars in relation to airport infrastructure, future decisions should be made based on the areas of highest demand and economic impact to the entire province.

THE CHAMBER RECOMMENDS

That the Provincial Government works with the Federal Government and airports around the province to develop a long term strategic plan to guide future investments in the province's airport infrastructure with guidelines and criteria established for spending on airport infrastructure.

TRANSFORMING THE HEAVY DUTY TRANSPORTATION MARKET (2014)

Transportation in British Columbia

B.C.'s transportation market is dominated by petroleum fuels, with the long distance heavy-duty transportation sector accounting for much of the diesel use. However, compared to natural gas, diesel is expensive, and produces more greenhouse gases (GHG) and other pollution than natural gas in the same use. Given the recent surge in natural gas reserves created by the shale gas boom, future supplies for natural gas are less likely to be supply constrained than diesel and so less vulnerable to cost inflation. This transformation is farther under way in the U.S. and Europe.

Further, B.C. has an abundance of natural gas, most of which is exported. Due to similar abundance in the United States', prices are depressed¹. In addition to seeking other export markets, encouraging substitution of natural gas for diesel in the transportation sector makes direct economic sense, by reducing the cost of transportation so crucial to our geographically diverse economy. To encourage the cost-effective utilization of expanding natural gas resources and reduce GHG and other air pollutant emissions, the government should look for opportunities to help accelerate this market transformation.

Current Policy

Currently, B.C.'s transportation fuel demand is split between fuel for marine (13.47%), air (17.8%), rail (1.93%), heavy-duty truck (14.38%), and other vehicle transportation (52.42%)². The total transportation demand for fuel is approximately 360 PJ/year.

To encourage the use of natural gas as a transportation fuel in the pursuit of lower GHG emissions, The Clean Energy Act permits public utilities to offer incentives³. FortisBC's incentive program aims to meet 3-4 PJ/year of transportation demand with natural gas for the next five years⁴ ("base case"). However, FortisBC has also developed reference cases to increase natural gas market share to 27 PJ/year by 2033, and even envisions a very high scenario of 70 PJ/year by 2033. This higher case would represent a third of the future market for heavy transportation fuels in B.C.⁵ Reaching these upper ranges faster could be

1 U.S. Energy Information Administration. (2013). Chapter 3: Natural gas. In EIA, International Energy Outlook (pp. 41-66). U.S. Department of Energy.

2 Consolidated Management Consultants. (2013). Transformation of Transportation Markets from Diesel & Gasoline to Natural Gas Policy for BC. Vancouver.

3 Lekstrom, B. (2010). Section 2 (h). In Bill 17 - Clean Energy Act. Victoria: Queen's Printer.

4 FortisBC. (2013). FortisBC Resource Planning Advisory Group (RPAG) Workshop.

5 FortisBC. (2013). FortisBC Resource Planning Advisory Group (RPAG) Workshop.

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highly valuable to the economy.

Effects of the Shift

One projected consequence of the shift from diesel to natural gas transportation fuels is reduced pollution. Transport-related GHG emissions would drop 0.4%/year in over the next five years in the base case⁶. Replacing 25 PJ/year of diesel with natural gas would reduce annual provincial GHG emissions from transport by about 2.9%⁷. The associated reductions in other diesel-related air pollution has significant potential to improve public health. PM_{2.5} particulates that are a part of diesel emissions are particularly dangerous, and are linked to respiratory system problems and carcinogenic effects⁸. A shift from petroleum to natural gas would result in clear health benefits as well as mitigating the largest single source of GHG emissions in the province⁹.

A second compelling reason is substantial price advantage. Over the last few years greatly increased availability has lowered the cost. Supply expansion has led to North America having the greatest cost differential. The price per diesel litre equivalent of natural gas is half the price of oil-based fuels¹⁰. Major forecasts of future fossil fuel prices predict a continual widening of this gap between petroleum and natural gas, which strongly suggests that the natural gas price swings of the past are far less likely in the future, while diesel costs will remain under pressure.

In November 2013, the B.C. government changed the GHG reduction regulations and directions to the BC Utilities Commission (BCUC). The new direction included setting the LNG dispensing rate at \$4.35/gigajoules, an increase in capital allowed for building natural gas fueling stations, increases in incentive funding for training and upgrades to natural gas vehicle training, and an exemption of the \$400 million Tilbury LNG facility expansion from a certificate of public convenience and necessity review by the BCUC¹¹. These were laudable steps.

But more support for a shift to natural gas transportation fuel could increase its usage greatly¹², increasing the benefit to B.C. The Conference Board of Canada estimates that the greater the displacement of diesel in heavy duty transportation by natural gas, the greater the proportionate effect on overall natural gas consumption, resulting in progressively lower costs¹³.

Indirect benefits include supporting B.C.'s small but dynamic clean technology sector, which has experienced rapid growth and creates skilled and well-paying jobs. A key B.C. company in the natural gas transportation business is Westport Innovations: Their natural gas engines represent nearly 50% of new purchases in the United States for vocational/refuse trucks, and nearly 40% of Southern California's transit bus.

In its analysis of fuelling related employment, a U.S. study used a new natural gas fuelling station as the

6 Projected reduction 100kt CO₂e: (100/24,587kt (total transport emissions)) * 100kt = 0.4% reduction | Projected reductions from:

7 (25PJ/3.5PJ (from 3-4PJ reduction for 100kt GHG reduction)) * 100kt = 714.29kt reduction; (100/24,587kt) * 714.29kt = 2.9% reduction

8 Janssen, N. A., Fischer, P., Marra, M., Ameling, C., & Cassee, F. R. (2013). Short-term effects of PM_{2.5}, PM₁₀, and PM_{2.5-10} on daily mortality in the Netherlands. *Science of The Total Environment*, 20-26.

9 Ministry of Environment. (2012). 3. B.C. GHG Emissions - 2010. In *British Columbia Greenhouse Gas Inventory Report 2010* (pp. 11-19). Victoria.

10 Azzarello, S. (2014, February 11). *Energy Price Spread: Natural Gas Vs. Crude Oil in The U.S.* Retrieved from Seeking Alpha: <http://seekingalpha.com/article/2012281-energy-price-spread-natural-gas-vs-crude-oil-in-the-u-s>

11 Province of British Columbia. (2013). *Direction No. 5 to the British Columbia Utilities Commission*. Victoria: Queen's Printer.

12 Ministry of Energy and Mines. (2012). *Developing Current and New Markets*. In *British Columbia's Natural Gas Strategy* (pp. 4-6).

13 The Conference Board of Canada. (2012). *Cheap Enough? Making the Switch from Diesel Fuel to Natural Gas*.

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starting point¹⁴. Based on this analysis, if six natural gas fuelling stations were opened in the Lower Mainland/Southwest region of B.C. there would be an implied employment gain of 600 jobs in the industry. In the course of implementing such productivity gains there will be complimentary job losses in the petroleum sector.

FortisBC has partnered with other stakeholders to provide up to \$104 million in incentives over five years to support the market transformation to natural gas fuel¹⁵. The program provides direct incentives for the heavy duty transportation industry to convert to natural gas. It creates a substantial net economic benefit through the incremental demand increase on the natural gas distribution system, and the associated reductions in system costs. But at the current base case forecast of an 11% conversion to natural gas fuel in 20 years (about 0.5% a year) it will take a long time to achieve market transformation – the potential economic, environmental, and health benefits can be achieved more rapidly through a more proactive public policy.

To clarify, the net benefit to the economy would come from the reduced cost of natural gas fuel as compared to diesel. This reduced transportation cost will in turn lower the cost of goods and services for businesses, providing broad economic benefits to the province. Transforming the entire target market could be worth as much as \$4.5 billion/year to the B.C. economy¹⁶, or an increase in provincial GDP by over 2%. These savings are net of the losses in the petroleum sector of the economy. It would also result in a 6% reduction in heavy-duty transport GHG emissions¹⁷, which would contribute significantly to the reduction targets in the Greenhouse Gas Reduction Targets Act¹⁸. The Conference Board of Canada's summary of cost and emissions benefits predicted a NPV savings of \$158,043 over ten years per heavy-duty truck using natural gas over diesel¹⁹.

While the benefits of this fuel transition are clear, some critical barriers to widespread adoption may be overcome with constructive policy changes. One substantial barrier is the lack of natural gas refuelling stations and infrastructure. To support development, private and public entities alike are working together to keep pace with rising demand. In 2010, Natural Resources Canada developed a Roadmap for the deployment of natural gas in transportation, with the help of the natural gas vehicle industry²⁰. A key recommendation was that “*coordinated investments are needed to ensure that the development of key corridor infrastructure is consistent with projected demand, strategically located to support end-users, and installed in a timely manner across jurisdictions.*” Put simply, a string of properly spaced fuel stations is essential to natural gas adoption in long distance trucking. Stakeholders and the federal government are currently working to develop a cross-country refuelling corridor, but greater participation by the B.C. government will help ensure that maximum benefit is gained from the placement of these stations.

Another key issue is the fact that the industry is still rather new and technological innovations are occurring rapidly. This is especially true for on-board fuel storage, as new tank and pump systems are required to achieve the travel range of diesel-fuelled trucks. Similarly, advances are occurring in the refuelling of compressed natural gas tanks that will allow for a quicker refuelling process. While

14 TIAX. (2013). U.S. and Canadian Natural Gas Vehicle Market Analysis: Natural Gas Vehicle Industry Overview.

15 Province of British Columbia. (2012). Order in Council No. 295.

16 Consolidated Management Consultants. (2013). Transformation of Transportation Markets from Diesel & Gasoline to Natural Gas Policy for BC. Vancouver.

17 (52.1PJ/3.5PJ (see ⁶)) * 100kt = 1488.57kt reduction; (100/24,587kt) * 1488.57kt = 6% reduction

18 Penner, B. (2007). Bill 44 - 2007: Greenhouse Gas Reduction Targets Act. Victoria: Queen's Printer.

19 The Conference Board of Canada. (2012). Cheap Enough? Making the Switch from Diesel Fuel to Natural Gas.

20 Natural Gas Use in Transportation Roundtable. (2010). Natural Gas Use in the Canadian Transportation Sector.

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technological innovation is a positive thing, permitting and regulating new technologies can take time. The government can encourage rather than hinder the development of natural gas for transportation by adding resources to accelerate and by streamlining their regulatory process. The government can also carefully assess regulations and tax policies that cover the transportation sector to ensure that natural gas is on a level playing field compared to other fossil fuels.

THE CHAMBER RECOMMENDS

The Provincial Government continues to develop natural gas transportation policy with the objective of more rapidly transforming the heavy-duty trucking, marine and rail transport markets – delivering economic development and increasing productivity in B.C.

RAIL SERVICE AND CAPACITY ISSUES IN B.C. (2014)

The transportation of export commodities by rail to and from B.C.'s communities is crucial to the economy of B.C. and western Canada. From potash in Saskatchewan to pulse crops in Alberta or mining & natural gas products in B.C., the movement of Canada's many resources are dependent of reliable, adequate rail service. The Chamber supports the enactment and enforcement of provisions which will improve such rail service.

The Canada Transportation Act (CTA) currently states "A rate or condition of service established under this division must be fair and reasonable to all parties" and under section 113 the following applies for level of service from railways:

- 1) *A railway company shall, according to its powers, in respect of a railway owned or operated by it,*
 - a) *furnish, at the point of origin, at the point of junction of the railway with another railway, and at all points of stopping established for that purpose, adequate and suitable accommodation for the receiving and loading of all traffic offered for carriage on the railway;*
 - b) *furnish adequate and suitable accommodation for the carriage, unloading and delivering of the traffic;*
 - c) *without delay, and with due care and diligence, receive, carry and deliver the traffic;*
 - d) *furnish and use all proper appliances, accommodation and means necessary for receiving, loading, carrying, unloading and delivering the traffic; and*
 - e) *furnish any other service incidental to transportation that is customary or usual in connection with the business of a railway company.*

Across the western provinces and in British Columbia, particularly northern British Columbia rail service has been steadily declining compared to the level of service demanded by shippers. In the Prairies, 2013 was a record harvest for grain that is shipped around the world. Grain farmers, however, have not been able to access adequate rail service to get their crops to market.

In B.C., Fort Nelson, in the last year, has seen service decrease from 3 trains per week to 2 per week from Fort St John and in town services decrease from 5 days to 2 serviced only when trains come in. That is a decrease of 3 staff to 0. The railway expectation is that train crews will make required switches while there, however, this leaves customers unable to access their product due to crew time off requirements and during days when there is no crew available. When the train arrives crews go on their rest period and

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then once they leave again there is no service. The biggest single issue is full cars sitting on railway property, even when CN does run extra trains into Fort Nelson; businesses cannot access their own product.

In addition, there is no certainty over delivery schedules as the railway frequently bumps shipments and changes the delivery date. There is no accountability for delivery and according to the railway they have never had a late shipment as it always arrives on the date stated in their system. Two Fort Nelson companies experienced over 300 lost days in slightly more than a 6-month period. With the uncertainty in rail deliveries more companies are relying on trucking, resulting in a significant increase in traffic, decrease in road conditions and an increase in environmental impacts. (It takes two b-trains of fuel to equal one rail car.)

In Section 114 the Transportation Act goes on to require:

- 1) *A railway company shall, according to its powers, afford to all persons and other companies all adequate and suitable accommodation for receiving, carrying and delivering traffic on and from its railway, for the transfer of traffic between its railway and other railways and for the return of rolling stock.*
- 2) *For the purposes of subsection (1), adequate and suitable accommodation includes reasonable facilities for the receiving, carriage and delivery by the company*
 - a) *at the request of any other company, of through traffic and, in the case of goods shipped by carload, of the car with the goods shipped in it, to and from the railway of the other company, at a through rate; and*
 - b) *at the request of any person interested in through traffic, of such traffic at through rates.*
- 3) *Every railway company that has or operates a railway forming part of a continuous line of railway with or that intersects any other railway, or that has any terminus, station or wharf near to any terminus, station or wharf of another railway, shall afford all reasonable facilities for delivering to that other railway, or for receiving from or carrying by its railway, all the traffic arriving by that other railway without any unreasonable delay, so that*
 - a) *no obstruction is offered to the public desirous of using those railways as a continuous line of communication; and*
 - b) *all reasonable accommodation, by means of the railways of those companies, is at all times afforded to the public for that purpose.*

Beyond our agricultural and mineral resources that find their way to B.C. ports from across the country, the anticipated increase in LNG production in British Columbia also requires reliable & accountable rail service. Unreliable rail system performance has increased operating costs and acts as a disincentive to future investments. In addition, reliable rail service is critical to remote and end of line communities that not only rely on the rail themselves but also serve as a continuing point for moving essential products such as fuel and gas industry requirements further north and into other more isolated areas such as the Horn River and Liard Basins, Yukon and Northwest Territories. Businesses are highly dependent on products arriving “on time” to ensure B.C. is seen as a dependable supplier to customers and export markets.

The railways are public entities of strategic national importance and operate to maximize profit for their shareholders. They must also serve the national interest by providing reliable cost-effective service to shippers. Increased throughput and reliability of service will improve the capacity of businesses throughout British Columbia. The movement of product by rail is cost-effective and environmentally sustainable.

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THE CHAMBER RECOMMENDS

That the Provincial and Federal Governments work to:

1. Require railways to disclose records & history of all scheduled delivery dates including all changes to dates, as permitted under section 50 of the CTA, to more accurately reflect actual service delivery performance; and
2. Strengthen sections 140 to 146 of the act to require railways to ensure and demonstrate community input into railway actions resulting in service disruptions, closures or abandonments. Require railways to seek regulatory approval before making decisions to cut service to communities and provide affected parties with the ability to provide information as interveners.

The BC Chamber of Commerce

POSITIONS

ON

SELECTED NATIONAL ISSUES

2016 – 2017

MAKING REGISTERED DISABILITY SAVINGS PLANS MORE ACCESSIBLE TO CANADIANS WHO NEED IT (2014)

In Canada, 4.4 million Canadians have a disability, of which many are children or under the age of 44. Of this, 68,833 Canadians have successfully applied for, and received benefits of, the Registered Disability Savings Plan (RDSP). According to CBC News on May 30, 2013, the numbers of applications are as follows:

RDSPs by year

Year	Number of accounts opened
2009	20,598
2010	18,144
2011	12,099
2012	13,103
2013*	4,979
Total	68,833

Source: Human Resources and Skills Development Canada. *Figure accurate as of mid-May.

This total number of applications is low considering it is estimated that 500,000 Canadians are potentially eligible for the RDSP.

Based on many interviews with applicants, and personal experience of those who have worked with them, the application process is what is impeding its use.

The reason for the decline in applications is primarily the intense, cumbersome paperwork that is required from start to finish of the process. To successfully complete this process, applicants need to have a medical assessment completed and then file the paperwork to obtain the federal Disability Tax Credit (DTC). During interviews at information seminars with potential candidates, it was discovered that most people with disabilities, as well as their caregivers, are in a low income bracket. Therefore, they do not see the need to go through the process of applying for a Disability Tax Credit because they, in most cases, do not pay taxes.

However, when learning of the bond portion of the RDSP, there was renewed interest to go through the application process.

In an effort to assist in accessing this program, it was discovered that there are similar income assistance programs in the Province of B.C., such as Persons with Disabilities (PWD) that also require an even more stringent medical assessment of the person required to qualify for the DTC.

Furthermore, there appears to be an appetite for provincial/federal collaboration by government leaders, as mentioned by B.C.'s Minister of Finance Mike De Jong to the Kamloops Chamber of Commerce in 2013, to enhance efficiency and effectiveness. Therefore, in reviewing the application and requirements for a person to be granted the PWD, a connection to CRA on the completion of the successful applicant to grant a federal DTC could be beneficial. By doing so, access to the Registered Disability Savings Plan would be readily accessible to lower income Canadians, the ones who need it most.

THE CHAMBER RECOMMENDS

The Federal Government works with the Provincial Government to:

1. Investigate and implement a cross-linked application process to enable those with recognized disabilities to have access to both the PWD and DTC under one application;
2. Review all existing recipients of PWD to determine eligibility of the DTC based on timing of the last tested application; and
3. Review other provincial programs that would also result in automatic DTC eligibility.

EMPLOYMENT AND SOCIAL DEVELOPMENT

A CANADA JOB GRANT PROGRAM FOR ALL CANADIAN BUSINESSES (2016)

The Canada Job Grant program helps Canadian businesses offset the high cost of training needed to improve employee skills which, in turn, keeps their businesses competitive and growing.

The problems, however, with the Canada Job Grant are numerous. Some examples: few businesses know that the grant exists; the grant is difficult to access and apply for; if a company did apply, it took too long until they heard if they were approved (4 months); and the funding dried up too fast.

Background

In Budget 2007, the Government introduced the Labour Market Agreements with an investment of \$3 billion over six years to assist Canadians who are low-skilled or not eligible for Employment Insurance (EI) benefits.

Economic Action Plan 2013 announced the Government's intention to renew the Labour Market Agreements with provinces and territories in 2014 with investments of \$500 million per year. The Agreements will be reformed to directly connect skills training with employers and jobs for Canadians with the Canada Jobs Grant - the centrepiece of the new agreements. The Grant will account for \$300 million of total annual Labour Market Agreement funding from the federal government on full implementation in 2017-18.

The grant, as delivered through Labour Market Agreements, will require matching from employers as well as provinces and territories. Businesses with a plan to train Canadians for an existing job or a better job will be eligible to apply for a Canada Jobs Grant. The grant will provide access to a maximum of \$10,000 federal contribution per person towards training at eligible training institutions. This means the grant could provide \$15,000 per person, the employer contribution.

Upon full implementation of the grant under the Labour Market Agreements, nearly 130,000 Canadians each year are expected to be able to access the training they need for gainful employment or to improve their skills for in-demand jobs.

The remaining funding of \$200 million per year will continue to be transferred to provinces and territories to support delivery of critical employment services, such as counselling, job search assistance, and administration.

The Government will work in cooperation with its provincial and territorial partners to transform the way Canadians get training to help achieve our shared objectives of creating jobs and economic growth.

*www.actionplan.gc.ca/en/initiative/canada-job-grant

Issues

Each province manages their own Canada Job Grant funding and, therefore, has developed different criteria and qualifications for the program. This creates inequities province to province. In other words, some provinces received funding all year (Alberta) and some funding ran out before it even got off the ground (B.C.). Furthermore,

- There is no sustainable funding throughout the year; therefore, there is not always funding available when employers require training or programs offered later in the calendar year;
- The application process is difficult and often takes too long to process;

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- There is no cap on the amount of funding a company can apply for. This means that large employers applying for an amount of funding appropriate for their number of staff may secure a large portion of the funding available, leaving less available for the many smaller employees needing the grant dollars;
- The process to obtain employees through this program does not fit within normal hiring processes;
- Funding closed off too quickly and due to the lack of awareness and communication about the program meant that the money ran out before most companies knew it existed;
- There were too many constraints on the program as to which personnel and which companies are eligible for funding; and
- Approvals were not received in a timely manner. Applicants did not find out if they were approved for 4 months after they applied, in which time it often meant the program they wanted to access, or funding they had set aside, was no longer available.

Conclusion

The Canada Job Grant is ineffective, difficult to apply for and is inequitable province-to-province and business-to-business. This program needs to be immediately restructured with tighter and clearer guidelines to allow access for all Canadian businesses to receive funding for training.

THE CHAMBER RECOMMENDS

The Federal Government in concert with Provincial Governments:

1. Work toward the standardization of the program criteria, guidelines and create a platform to measure success;
2. Create a specific timeframe for approval/disapproval that is no longer than 6 weeks;
3. Create a process for an expedited approval/disapproval process under special circumstances;
4. Implement a sustainable funding model to ensure equal access throughout the year; and
5. Ensure maximum diversification of the fund, set reasonable maximum amounts per company and per employee.

ENVIRONMENT AND CLIMATE CHANGE

PROPOSED NATIONAL MARINE CONSERVATION AREA RESERVE – STRAIT OF GEORGIA (2016)

Preamble

The beauty of British Columbia is intrinsically tied to tourism, external investment, and the health of our communities. In 2003, Canada and British Columbia signed a memorandum of understanding to establish a National Marine Conservation Area (NMCA) Reserve in the southern Strait of Georgia. Within the NMCA Reserve boundaries, the marine environment would be protected from ocean dumping, undersea mining, and oil and gas exploration and development. The proposed boundary is within a heavily populated area with high levels of private, commercial and public activities. Restrictions to activities within this intensely-utilized marine area could negatively affect the regional economy.

Business Issue

The Chamber believes the proposed establishment a NMCA Reserve in the Southern Strait of Georgia can contribute to our economy, attract investment, create household-sustaining jobs, and support local business.

The area of consideration is home to hundreds of thousands of people, is a major international trade route, has a considerable amount of foreshore title land, and has a maze of jurisdictional players.

The Chamber believes the biggest risk to commercial and recreational activities is any stakeholder confusion or uncertainty leading up to and after the Strait of Georgia NMCA Reserve.

Background

The conservation of marine environments is taking on global significance. In response to this, the Government of Canada began a NMCA program in 1994. In 2003, Canada and British Columbia signed a memorandum of understanding to establish a National Marine Conservation Area (NMCA) Reserve in the southern Strait of Georgia.

A “Reserve” is established when there are First Nations land claims in an area. Given the number of unresolved First Nations claims in the Southern Strait of Georgia area, an NMCA Reserve would be established here pending resolution of the claims. Once all claims are resolved, the area would become a NMCA.

The Strait of Georgia marine region is the smallest of five marine regions found on Canada's Pacific coast, yet it is also one of the most productive.¹ It is also a region intensively enjoyed by British Columbians and visitors each year. The rich sub-tidal communities provide some of the best scuba diving in North America and pleasure cruising is world class, whether it be in a yacht or a kayak.

Impact on Commerce and Residents

If the Southern Strait of Georgia NMCA Reserve is established, ownership of provincial lands - including the seabed - would be transferred to the federal government. For waterfront residential and commercial properties, that means the submerged lands below the high-tide watermark would be transferred from the Province of B.C. to the Government of Canada.

Beyond the transfer of submerged lands ownership, there is a complex jurisdictional maze that includes

¹ See Annex for 2011 Proposed Boundaries

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First Nations, regional districts, municipalities, transportation authorities, and island trusts. This area also has more than 100,000 residents and countless visitors who have relied on easy and free access to waters for decades. Such a delicate operating environment has a direct impact on residents' quality of life as well as on businesses.

One of the frequently discussed business impacts surrounding the navigable waters within the 2011 proposed boundaries is marine transportation; it is BC Ferries "backyard" and a transit route for thousands of cargo shipments per year.

There are many practical questions that still need to be answered, such as how will the NMCA Reserve operations - including enforcement - be funded? Who makes the decision to halt or alter commercial vessel traffic patterns if zones need to be established or amended? How will the success of the NMCA Reserve be measured? Who will manage affected land use, e.g. issue permits for private infrastructure that extends below the high-tide watermark? These are questions that need to be answered before the NMCA Reserve is implemented to ensure a welcoming business environment and public support.

Decision-Making Environment

The Government of Canada and the Province of B.C. will have numerous challenges facing the proposed Georgia Strait NMCA Reserve, including:

- continuing to allow high concentration of commercial and recreational marine traffic in the area,
- the potential for a variety of inter-departmental jurisdictional issues, e.g. fishing and marine transportation falling under both Fisheries and Oceans and Transport Canada and in collaboration with Parks Canada, and
- the proposed NMCA Reserve is expected to fall under the *Canada National Marine Conservation Areas Act*, and as such, would not address specific conditions relating to the Southern Strait of Georgia's unique environment.

Commercial activities within the southern Strait of Georgia are critical to our economy. Vancouver Island's coastal communities stand to be greatly affected by the proposed NMCA Reserve, namely their real estate prices, their businesses, as well as their way of life. This leads to a highly charged and politicized environment that can interfere with sound policy decisions, consequently making the region vulnerable to complex change driven by vocal minorities instead of sound principles.

Progress to date

Parks Canada has hired a full-time employee to manage the specific file, and is working on a number of studies to develop a comprehensive understanding of the region and to reach a determination of the feasibility of the proposed NMCA Reserve. The Chamber expects this research to include a thorough analysis of current and forecasted commercial and recreational activity, as well as how such activity may be affected by the establishment of an NMCA Reserve - before the reserve is created.

The proposed Southern Strait of Georgia NMCA Reserve should balance the needs of the economy with the environment. Issues should be anticipated and questions answered prior to implementation. Critical points need to be incorporated into separate legislation to ensure a stable and transparent decision-making environment for all stakeholders.

Summary

The Chamber appreciates the need to balance the conservation of our environment. The Chamber recognizes that the beauty of British Columbia is intrinsically tied to tourism, external investment, and the

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health of our communities.

The Chamber is supportive of continued dialogue regarding the proposed NMCA Reserves in the Strait of Georgia, provided Strait of Georgia's unique environment and its importance to the health and prosperity of the regional economy is clearly recognized.

To that end, the Chamber expects a specific piece of legislation is enacted to address unique nature of the Strait of Georgia NMCA Reserve, such as was done with Saguenay-St. Lawrence Marine Park. Such legislation would mitigate any confusion or uncertainty, allowing businesses, residents and visitors a stable and transparent decision-making platform.

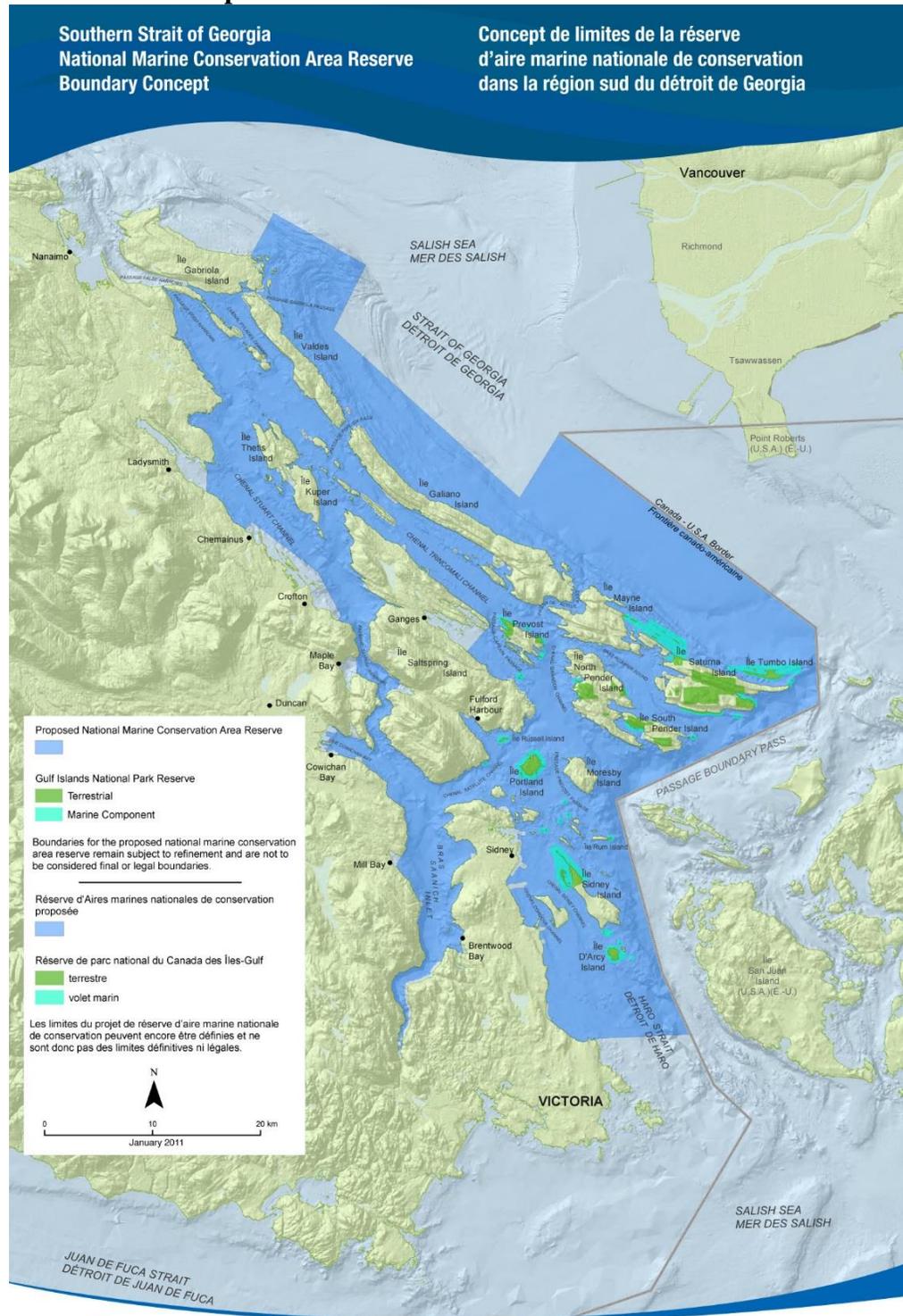
THE CHAMBER RECOMMENDS

That the Federal Government works with the Provincial Government to:

1. Conduct a thorough analysis of current and forecasted commercial and recreational activity as well as how such activity may be affected by the establishment of an NMCA Reserve - before the reserve is created; and
2. Enact a separate piece of legislation for the Strait of Georgia NMCA Reserve to allow businesses, residents and visitors a stable and transparent decision-making platform.

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Annex – 2011 Proposed Boundaries



ENVIRONMENT AND CLIMATE CHANGE

PROTECTING THE NATIONAL ECONOMY BY MANAGING THE LOWER FRASER RIVER (2015)

As highlighted in the July 2014 report titled ‘The Economic Importance of the Lower Fraser River’, the lower Fraser River stretching from Richmond to Hope is one of the prime economic generators in B.C., and is a significant contributor to the national economy. Port activity on the Lower Fraser River rivals Canadian traffic on the St. Lawrence Seaway, as well as supporting a myriad of other economic activities, and is home to 2.7 million people.

Port Metro Vancouver (PMV) is not only the largest port in Canada, but the largest port by tonnage in North America, and is the principal ocean gateway to the Asia Pacific. Although the Lower Mainland ports were amalgamated in 2008, if the Lower Fraser River port existed as a stand-alone port, it would still be a significant port for Canada. Prior to the amalgamation, the Fraser River Port Authority was the third largest port in Canada, based on domestic, export and import tonnage. The impact of the port function of the Lower Fraser is comparable in importance to the impact of Canadian traffic on the St. Lawrence Seaway both, in terms of tonnages and employment:

		<u>Lower Fraser River*</u>	<u>St.</u>
Cargo	(Million Tonnes)	25.7	36.5
Jobs	(FTE's)	52,900	63,000
Wages	(\$ Billions)	\$2.62	\$2.88

* The Lower Fraser River impact shown above is for 2008, prior to the amalgamation of the three Regional Port Authorities into Port Metro Vancouver in that year; the St. Lawrence Seaway impact is for 2010

** St. Lawrence data covers Canadian cargo carried on the Montreal – Lake Ontario section of the Seaway and the Well and Canal between Lake Ontario and Lake Erie

Looking to the future, the majority of developable port lands to accommodate PMV's expected growth are on the Fraser River, and hence the Lower Fraser River is destined to play an increasingly important role in overall port activity and future growth of the Canadian economy.

In addition to the integral role to the operations of PMV, there are nine federal government Small Craft Harbours located on the Lower Fraser River. Supporting the commercial fishing industry, these Small Craft Harbours support a variety of fishing, aquaculture, recreation, tourism, shipping and other marine activities. The Fraser River also supports other key industries: The Fraser Valley's agriculture production in 2011 was \$1.6 billion (the majority of agriculture output for B.C.), and approximately 47 forest industry facilities operate in and along the River.

The Risk

The positive economic growth and development of the region seems unstoppable. However, the security of much of the agriculture and industrial lands, as well as the road and rail infrastructure that connects Canada to the port, are vulnerable to flooding and earthquakes.

Each year during the spring freshet, approximately 32 million m³ of sediment is transported by the river, with roughly 10% of this material settling in the navigation channels of the lower reaches. To ensure continued navigation and flood prevention, regular maintenance dredging is required. Dredging increases flow capacity which is a crucial flood prevention measure to keep the river below dyke levels during periods of increased flow.

In 2007, the river came perilously close to overtopping the dykes in the Fraser Valley during the spring

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freshet. If the dykes had been breached, the national rail lines and the TransCanada Highway, connecting Vancouver to the rest of Canada would have been cut off, choking off the movement of goods in and out of the busiest port in the country, resulting in significant economic losses.

Presently, the adjacent lands of the lower Fraser River are home to over 50% of British Columbia's population, and in the actual flood plain, \$50 billion dollars' worth of development, which are increasingly vulnerable to frequent extreme weather events that are projected to impact the River.

Ensuring Future Prosperity

According to recent studies, sea levels at the mouth of the River could rise in excess of one metre by the end of this century. In order to protect the businesses and livelihoods of those dependent on the river, residents and public facilities (including the highway and rail transportation infrastructure), an ongoing, coordinated program of investment in improved diking, dredging and other protective features is imperative. Preliminary estimates place the cost of this program required by 2100 at nearly \$9 billion for the tidal areas of the River and adjacent coastal reaches.

The impact of inaction could be severe. The economic damage of losing one or more of the rail links to the port, as well as the major highways through the valley would be significant to the national economy. Damage could be similar to that seen in New Orleans, and require lengthy reconstruction periods, likely costing in the billions of dollars, combined with billions in lost economic activity. In order to mitigate this potential, we must act with some urgency to ensure the appropriate preparations are made.

In addition to environmental challenges, urban growth is also putting pressure on the future prosperity of the region. The demand for residential land has applied tremendous pressure on industrial land that is in transition. As a result, this land in transition has been converted to residential use, resulting in a repurposing of nearly 3000 hectares of industrial land in the last 30 years alone.

Coordinating the Administrative Challenge

Ultimately, the Fraser River is the backbone of transportation for the Asia Pacific Gateway and is of great economic value to all of Canada. It has the ability to provide a significant competitive advantage that will build our nation's economic prosperity as Asia becomes an increasingly important trading partner. Streamlining and facilitating a process that allows a main transportation channel to be maintained will be primary in developing this key opportunity.

One of the main challenges to managing the lower Fraser River is coordinating the many government and non- government stakeholders that maintain the river. There are currently 15 municipal governments and 29 first nations groups along the banks of the lower Fraser. There are also over 20 Provincial and Federal ministries involved in the River's administration resulting in a myriad of legislative acts and bylaws that require due process.

As authority and oversight is vested with a multitude of government departments, work on the Fraser River is often done in isolation and not part of a comprehensive and coordinated plan to address ongoing maintenance and safety requirements.

Resolving these issues will require long-term management and funding with substantial financial obligations. Compounding the problem is the fragmentation which requires compromise among various jurisdictions and authorities.

ENVIRONMENT AND CLIMATE CHANGE

All levels of government and other key stakeholders must come together to manage the lower Fraser River as an interconnected system in which the interests of the economy, the population, navigation, public safety, and the natural environment are managed holistically as one system. This will require the leadership of the federal government, the ultimate authority over the river.

THE CHAMBER RECOMMENDS

To ensure the continuous flow of commerce to and from the Asia-Pacific market, and to ensure the sustainability of the Lower Fraser River, the Federal and Provincial Governments work with the, municipalities, aboriginal groups, and business stakeholders to:

1. Bring together a task group of relevant stakeholders, to develop a holistic strategy to address the long term funding and management requirements necessary to maintain, protect and further improve the Lower Fraser River; and
2. Charge this task group with responsibility for developing a comprehensive plan, addressing but not limited to, flood protection, navigation management, sea level rise, and agriculture and industrial land enhancement, within the lower Fraser River and ensure the plan includes consideration for the role that the Fraser River can play in further development of the Asia Pacific Gateway strategy.

CREDIT CARD MERCHANT FEES (2016)

Every year, \$44 trillion worth of payments are made in Canada. Only 20% of this value is done with cash, down from 50% in the 1990s. This signals the growing reliance and importance of credit card and debit transactions, not only for consumers, but also for the businesses that rely on these methods to accept payments. However, at \$5 billion per year, the credit card fees paid by Canadian merchants are among the highest in the world, costs which trickle down to the consumer regardless of their payment method.

Many of the businesses accepting credit card payments for goods and services are unclear on the inner workings of merchant services providers (MSPs). MSPs are a third party, such as VISA and MasterCard, who process credit card transactions. The current system has resulted in many businesses paying higher fees for credit card acceptance than necessary. Businesses are enticed to switch service providers on the premise of lower rates. However, as most businesses are unaware of the actual VISA and MasterCard rates - the actual Merchant Discount Rate (MDR) - they are misled to believe that a lower MDR results in savings on their actual credit card transactions. On the contrary, a lower than actual MDR means that the MSP is losing money on every transaction and, thus, has to recoup its losses through the card brand fee and/or non-qualified surcharges, which can vary substantially across different service providers.

The 3 Components to Credit Card processing:

1. *Merchant Discount Rate (MDR)* - This is the base rate charged by the provider. Any rate below the rate VISA charges the MSP for processing one of its credit cards causes the MSP to take a loss on the transaction. In order to recoup this loss, the MSP thus has to bump up the rates in 2. and 3;
2. *Card Brand Fee (CBF)* - 0.10% or more (the actual cost is 0.08% but is rounded up by most MSPs): This fee is used by VISA and MasterCard to advertise their brands, as well as to improve the stability of their networks; and
3. *Non-qualified Surcharge (NQS)* - 0.30% is the average value of this surcharge. However, it can vary greatly depending on the base rate offered by the MSP. Certain MSPs will undercut the Merchant Discount Rate (MDR) and then increase the Non-qualified surcharge (NQS) to make up for the loss they incur. Monies raised through this rate are used by major banks to promote their credit card programs and to pay for benefits received by credit card holders. The rate is also charged on keyed transactions, which are considered higher risk, as well as on all Infinite credit cards (i.e. Avion, Aeroplan, etc.).

In 2010, the federal government introduced a voluntary code of conduct for the credit and debit card industry in Canada aimed at alleviating issues of asymmetric information and flexibility. When this code of conduct is adopted by the MSPs, they are expected to:

- to ensure that merchants are fully aware of the costs associated with the acceptance of credit and debit card payments;
- to provide the merchant with increased pricing flexibility to encourage consumers to choose the lowest-cost payment option (i.e. clearly show all components of the total fees, as most credit card agreements do not allow merchants to use incentives to discourage the use of credit card or premium credit cards); and
- to allow merchants to freely choose which payment options to accept.

However, this remains a voluntary code of conduct and, therefore has been adopted only by a limited number of service providers. Its voluntary nature stands to undermine any real benefits to merchants these policy proposals may have. In a 2013 decision, which dismissed a complaint against two large credit card

service providers, finding that they had not violated the Competition Act, the federal Competition Tribunal acknowledged the issues in the country's credit card payment system and called for a regulatory solution. They stated that despite finding that the MSPs had not violated the Competition Act, "... we note that the Tribunal found that VISA's and MasterCard's conduct is influencing the price of credit card services in Canada upwards and having an adverse effect on competition. At the same time, the Tribunal felt that regulation of the industry would provide a more appropriate solution than any remedy that it could provide."¹

Providing merchants with greater flexibility in choosing their MSPs and discriminating against more expensive transactions is seen as an OECD international best practice, a practice currently not allowed in Canada.²

In April 2015, the federal government released *Balancing Oversight and Innovation in the Ways We Pay: A Consultation Paper*, aimed at seeking comments on national retail payment systems. However, there has been no movement on this issue since then, or an indication of the actions the government plans to take post-consultation.

THE CHAMBER RECOMMENDS

That the Federal Government:

1. Consult with the banking industry in changing from a voluntary to mandatory code of conduct, as introduced in April 2010 for the credit card and debit card industry in Canada, thereby ensuring that all parties are required to abide by and comply with the existing code's guidelines for greater transparency, disclosure and flexibility;
2. Provide merchants with increased pricing flexibility to encourage consumers to choose the lowest-cost payment option (including the ability to up charge the cost of the credit card transaction), as is consistent with the views of competition authorities across the OECD;
3. Work to better educate merchants on their rights and options to battle any informational asymmetry; and
4. Enact legislation requiring full disclosure by service providers of all costs associated with acceptance of credit and debit payment.

SUPPORT OF A FEDERAL EXCISE TAX REVIEW FOR DISTILLED SPIRITS (2016)

Opening Statement

The Federal Excise Duty on alcohol is applied in an unbalanced manner that puts small distilleries at a distinct disadvantage both amongst wineries and breweries in Canada, which pay none or very little excise duty on the alcohol they produce, and amongst foreign distilleries that operate in lower cost/tax environments.

¹ <http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/03614.html>

² <http://www.oecd.org/competition/PaymentSystems2012.pdf>

Background

In Canada, bulk alcohol production is monitored and taxed by the Canada Revenue Agency (CRA) via the Excise Duty Program and the *Excise Act* is the legislation. There is a Federal Excise Duty applied to all alcohol products both domestic and import. However domestically, depending on the type of alcohol product, the application of Excise is widely varied and unevenly applied.

For example, a 750ml bottle of wine produced by a Canadian vineyard using Canadian grown grapes pays no Federal Excise. In fact, a Canadian wine producer can use any Canadian grown agricultural product to produce a wine and their product will still qualify as excise exempt. Breweries have Excise Duty applied using a tiered system based on each brewery's annual production and no requirement to use Canadian grown agricultural products. For a brewery that is similar in size to most of the craft distilleries in Canada, the rate is \$6.244 per hectolitre (100 litres) or the equivalent of \$0.05 for a 750ml bottle. Whereas for a distillery in Canada, regardless of distillery size and where in most cases the distillery is using 100% Canadian grown agricultural products, the Excise Duty is applied at \$11.696 per litre of absolute alcohol (LAA), which is the equivalent of \$3.51 per 750ml bottle of spirit at 40% alcohol by volume (ABV). Even when corrected for the difference in alcohol strength between beer and spirits, the rate applied to spirits is 9.4 times more than for beer.

Table 1.0 – Excise Duty Rate Comparison

	Raw Material Origin	Size Requirement	Duty Rate
Beer	Anywhere	Tiered	\$0.06 per litre
Wine	Canada Only	No Limit	\$0.00
Spirits	Mostly from Canada	N/A	\$11.696 per litre

In the United States, the Federal Alcohol Excise tax is currently at \$7.10 per LAA which is about \$2.13 per 750ml bottle of spirit at 40% ABV. This is almost half the Canadian rate and, furthermore, there is a U.S. Federal Bill on the table that would reduce the rate to \$1.42 per LAA (\$0.43/750ml bottle at 40% ABV) for distilleries producing less than 190,000 LAA. While most Canadian micro/small Distilleries do not compete directly with their U.S. counterparts, the lower level of taxation on spirits allows for a much quicker growth to profitability for U.S. distillers. This is evident in the rapid growth of the industry in the U.S. There are now more than 1000 small distilleries in the U.S.A, compared to approximately 60 to 65 in Canada. The U.S.A. small distilleries also tend to be much larger than Canadian small distilleries. Higher Excise Duty tax has contributed to the Canadian small distillery industry seriously lagging behind the U.S. growth.

The federal government has already extended support to both the wine and brewing industries to support growth of these industries by changing policy to help make the producer more competitive, and having more capital to invest in growth and labour. More specifically, for Canadian wineries the government eliminated Excise Duty completely, as long as Canadian agriculture products are used. For breweries, the government introduced a tiered system that recognized small producers need more help early on; as they grow, they can afford to pay more. At present, no consideration has been extended to craft distilleries. In an attempt to stimulate local economies, compete with U.S.A. distilleries and grow the industry, eliminating (or reducing) imposed Excise Duties would be a natural extension of what has already been granted to Canadian wine and brewing companies.

Extending Excise exemptions similar to the wineries, would be a fair and appropriate way to apply Excise Duty to small craft distilleries. At present, Canadian distilleries have their raw material inputs audited by both the federal excise officers and provincial authorities on a monthly/annual basis. As such, it would be

an easy task to provide evidence that a distillery was using 100% Canadian agricultural products for their raw materials.

Average production size for most small Canadian distilleries is less than 50,000 LAA per year. Eliminating Excise Duty for distilleries producing less than 50,000 LAA per year would likely cost the federal government as little as \$5 million in lost Excise revenue. The start-up costs for most craft distilleries however, is typically in excess of \$1 million generating substantial economic spinoffs in a growing industry that would quickly recapture lost revenue through other revenue streams.

Fundamental to the future success of operating distilleries is to have more available working capital to support growth through equipment acquisition, additional labour, building/storage expansion, and developing distribution/sales channels. Expansion activities undertaken by each craft distillery would certainly lead to greater employment opportunities in both the spirits industry and related ancillary manufacturing areas, greater usage of Canadian agricultural products, increased investment in land due to increased demand for raw materials, and export growth potential. Furthermore, a June 2013 House of Commons report by the Standing Committee on Agriculture and Agri-Food strongly recommended a review of Excise Duty on Canadian made spirits (Page 48).

“As members will be aware, the excise duty on Canadian wine was eliminated in its entirety in 2006, this despite the fact that these drinks, whether they’re spirits, beer, or wine, all contain exactly the same amount of alcohol.... The impact of these changes is that, despite representing less than 30% of the beverage alcohol market, spirits’ share of excise payments has gone from 38% in 2006 to nearly 45% over the last six years. ... Our excise duties are \$11.69 per proof litre—so that’s a litre of actual alcohol. That went up by sixty cents in 2006. What we’re asking the government to do is reduce that by a dollar. ... That would take that twenty cents of excise down to about eighteen and a half cents. So a pretty modest reduction.” (Page 49, June 2013)

Extending the same Excise Exemption already in place for Canadian wineries would support an evolving industry struggling to grow without a net loss. The government could then introduce Excise Duty in tiers to better align ‘cash flow’ and assist craft distilleries to slowly pay more Excise Duty as their scale of operation grows, and the burden of higher Excise Duty rates would have a much lower impact on the financial sustainability of the distillery.

Producing hand crafted spirits using Canadian agriculture (raw materials) is costly. Economies of scale are not in place for small producers. The cost of packaging, labour, and establishing effective distribution channels is prohibitive, resulting in craft spirits that are noticeably more expensive than large spirit producers. The elimination of Excise Duty would support small business growth and stimulate regional economies. Surplus dollars resulting from saved ‘Excise Duty’ could then be re-invested into future business growth strategies through improved working capital and equipment acquisition plans.

THE CHAMBER RECOMMENDS

That the Federal Government:

1. Makes working with small distilleries and/or their association across Canada a priority to develop a fair Excise policy for all beverage alcohol as recommended in the 2013 House of Commons Report of the Standing Committee on Agriculture and Agri-Food; and

2. Make this change to help grow the Industry to a point where exports become a viable option.

Appendix A: References

- I. CRA Excise Duty Memorandum 4.1.1 (Website: <http://www.cra-arc.gc.ca/E/pub/em/edm4-1-1/edm4-1-1-e.html#sc8>)

Excise duty exemption for 100% Canadian wine

37. Pursuant to paragraph 135(2)(a), wine that is produced in Canada and composed wholly from Canadian-grown agricultural or plant products and that is packaged on or after July 1, 2006, qualifies for an excise duty exemption.

38. This means that to qualify for this excise duty exemption:

all of the primary raw materials that are fermented (including grapes, berries, other fruits, honey and dandelions) must have been grown in Canada;

if the wine is produced from juice, the raw material used to make that juice (e.g., grapes, berries) must have been grown in Canada;

all juices, juice concentrates, fruits or plant products, added in the winemaking process must be made wholly from Canadian-grown agricultural or plant product; and

any wine, beer or spirits added, including brandy or fruit spirits, must have been made in Canada wholly from grains, fruits and other agricultural product that have been grown in Canada.

39. Incidental agricultural or plant product-based ingredients that are added in the winemaking process, such as sugar and yeast will not be required to be made wholly from Canadian-grown agricultural or plant product. Such food ingredients and food additives are considered incidental ingredients in the wine and the origin of these ingredients will not otherwise disqualify the wine from the excise duty exemption.

40. Sections B.02.100 to B.02.123 of Division 2 of the Food and Drug Regulations set out the identity standard for wine and list the various food ingredients and food additives that can be used in the production of wine. The Food and Drug Regulations are available on the Department of Justice website at http://laws-lois.justice.gc.ca/eng/regulations/C.R.C.,_c._870/index.html .

41. Where a wine licensee blends wine, the final blended wine that is packaged must be composed wholly from Canadian-grown agricultural or plant products in order to qualify for the excise duty exemption.

Example:

A wine licensee produces or purchases two wines made wholly from grapes or other fruit grown in Canada (wine no. 1 and wine no. 2). That wine licensee also produces or purchases a wine made from grapes or other fruit grown outside Canada (wine no. 3). In this example, wine no. 1 and wine no. 2 qualify for the exemption, but wine no. 3 does not. If the licensee blends wine no. 1 with wine no. 2, the resultant blend qualifies for the exemption. If the wine licensee blends wine no. 1 or wine no. 2 with wine no. 3, the resultant blended wine does not qualify for the exemption.

- II. From: EDBN8 - Excise Duty Rate Changes for Beer - July 1, 2006 (Website: www.cra-arc.gc.ca/E/pub/em/edbn8/edbn8-e.html)

Beer or Malt Liquor Brewed by Domestic Brewers

More than 2.5% of absolute ethyl alcohol

Annual production volume increments (hectolitres [100L])	Rate of excise duty per hectolitre
From 0 to 2,000	\$3.122
From 2,001 to 5,000	\$6.244
From 5,001 to 15,000	\$12.488
From 15,001 to 50,000	\$21.854
From 50,001 to 75,000	\$26.537
Greater than 75,000	\$31.22

III. The Effects of Price on Alcohol Consumption and Alcohol-Related Problems (Website: <http://pubs.niaaa.nih.gov/publications/arh26-1/22-34.htm>)

IV. US Market:

<http://www.americancraftspirits.org/government/fet/>
<http://mibiz.com/item/22887-distillery-excise-tax-reform-to-benefit-small-west-michigan-distillers>

TOWARD A COMMON GOAL: CANADA'S FOOD SUPPLY CHAIN — PART 1, Report of the Standing Committee on Agriculture and Agri-Food, Merv Tweed – Chair, JUNE 2013, 41st PARLIAMENT, FIRST SESSION (Website: <http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=6226525&Language=E&Mode=1&Parl=41&Ses=1&File=174#49>) Pages: 48-50

ACKNOWLEDGEMENT OF THE BASE PRINCIPLES OF PENSION REFORM (2015)

Statement of the Problem

While some Canadians are prepared and will be sufficiently funded for retirement either through private or public service pension plans or through their own prudent planning, it is generally acknowledged that many are not.

Within the next decade Canada will see millions of baby boomers enter retirement, many without sufficient savings to sustain a reasonable standard of living.

Although the impact of this shortfall is unclear the risks to our economy and the stability of government – funded old age benefits is so significant to warrant immediate action.

The Canadian Chamber agrees that the fundamentals of the retirement income system are strong. However, there are significant challenges that, unless addressed, will challenge the viability of many retirees' ability to live out their retirement with dignity. The Canadian Chamber believes that government must continue to engage business in developing recommendations to ensure that it can provide for seniors without putting stress on government budgets and forcing business and younger Canadians to carry the burden through increased taxes.

Details of the Problem

Over the next two decades, Canada will see an unprecedented number of people enter retirement. Dealing with shortfalls for under-funded senior citizens is a complex problem and one that requires government attention immediately.

Not every Canadian has had an opportunity to participate in a private or public sector pension plan and the Canada Pension Plan will not meet the needs of many seniors. The stock market upheaval of 2008 saw many Canadians sustain heavy losses in their personal retirement portfolios.

Asking Canadians to endure a tax hike in order to close the gaps is rightly seen as unfair and represents an excessive burden to younger generations.

The Canadian Chamber congratulates the federal government for recognizing the importance of this issue and its efforts to solicit input through the Ensuring the Ongoing Strength of Canada's Retirement Income System consultation. The Canadian Chamber was particularly pleased to see that this consultation process was underpinned by a set of principles:

- The system should remain affordable for individuals and businesses;
- Costs incurred by governments should be appropriate and affordable, as well as sustainable over the long-term;
- The system should function so that it does not transfer costs from one generation to another;
- There should continue to be an appropriate balance maintained between individual and government responsibility for retirement savings, and an appropriate level of individual choice; and
- The system should remain accessible to all Canadians.

The Canadian Chamber endorses these principles as the foundation of any recommendation for change and is also pleased to see that efforts are being made to find solutions on a partnership basis with the provinces and territories.

However, the Canadian Chamber is concerned that there is a lack of clarity regarding next steps and timelines. The Canadian Chamber believes it is critical to ensuring this process moves forward in an expeditious manner that a clear and binding timetable be developed for the publication of recommendations for change, that these recommendations be open for public and stakeholder input and that a timetable for legislative changes be introduced.

There may be reforms related to estate issues, or the Employment Insurance program or other initiatives to reduce government overhead that could mitigate the pension funding issues. There may be a need for a retirement education program to help Canadians prepare for retirement costs or there may be a need to create a mandatory individual retirement plan directed by accredited planners.

We recognize the federal government's initiative with Pooled Registered Pension Plans (PRPP) as a positive first step to fostering pension reform. All the provinces support PRPPs in principle. Saskatchewan and Alberta have passed PRPP legislation and Quebec has introduced similar legislation. The 2013 Ontario Budget signaled the province's intention to introduce legislation to implement PRPPs. PRPPs will be the first test of a "volunteer" concept—a large-scale, broad-based pension option available to employees—with or without a participating employer—as well as the self-employed.

The Canadian Chamber also acknowledges the federal government's modification of the solvency funding requirements for federally-regulated in an era of record-low interest rates. There may be some immediate reforms that can be made, and there may be some longer-term solutions to be found.

The important fact is that we begin to approach the situation.

THE CHAMBER RECOMMENDS

That the Federal Government:

1. Work with the Provincial and Territorial Governments to continue to work to create an affordable pension environment for the benefit of all stakeholders.
2. Create a balanced approach to private sector options within the Canada Pension Plan (CPP) environment. A balanced approach would include offering additional employee contribution options without requiring any additional input from the employer. However, the employer would be able to match contributions on a voluntary basis.
3. Create legislative measures to direct recommendations within one year that fall within the guidelines of the “Base Principles of Pension Reform”.

INCREASING RENTAL INVENTORY THROUGH FAIR TAX TREATMENT (2015)

A healthy rental market is important to business operations as the rental inventory provides housing for employees at all levels of the employment spectrum, and most importantly, for entry level employees. Employers are increasingly finding the issue of rental availability to be a hurdle to recruitment and retention of employees. In some areas, extremely low vacancy rates may have adverse effects on the ability of businesses to grow.

Business Issue

Our economy relies upon a wide variety of labour to meet its needs. Rental housing provides accommodation for those who are early in their work careers or those who choose not to pursue home ownership. The lack of supply of rental housing is acute across the country and limits both the supply and mobility of labour. The lack of affordable housing is a significant risk to our economy. There are a number of areas of affordable housing that could be addressed. This policy seeks to address rental inventory specifically.

Tax changes introduced over the past 25 years have disadvantaged the treatment of investment in real property and rental housing in particular. The tax changes have created inequitable taxation on these investments when compared to other forms of investment. The result has been decreased activity in the rental housing market, such as less property turnover and revitalization and less purpose built rental property construction. This has been reflected in the erosion of available rental units, which according to the Canada Mortgage and Housing Corporation, has fallen from an average Canadian vacancy rate of 4.5 per cent in 1994 to 2.7 per cent by the spring of 2014.

Treatment of Capital Gains

In the 1990s, investments in real property were eliminated from the lifetime capital gains exemption. The rationale for the tax move was to direct investment dollars to more “productive” investments. The capital gains tax formula on the sale of rental property is applied immediately upon the disposition of the asset, whereas capital gains on other assets, such as “former property” or “former business property” are eligible for tax deferral when a replacement property is purchased within a specific time frame. Rental property, oddly, is specifically excluded from the definition of “business property”.

In addition to the capital gains tax, property owners must also pay tax at their full tax rate on the recaptured amount of capital cost allowance depreciated over the period of their ownership tenure. Together these two tax measures result in a significant “lock-in effect”, where owners of real property hold on to the assets rather than re-invest in more productive properties. The tax measures also act as a disincentive to maintain or revitalize the overall quality of both commercial and residential assets, as doing so would result in higher capital gains tax payment upon eventual disposition.

The Canadian Real Estate Association, through the services of Dr. Thomas Wilson, a leading authority on taxation and the University of Toronto’s Institute for Policy Analysis, has determined that the cost to government to introduce a deferral on capital gains for real property is minimal. The approximate cost in the first year is estimated to be \$415 million to the federal government and \$208 million in total to provincial and territorial governments. The Association asserts that the cost would actually decrease in subsequent years as the deferrals of gains would come into play and that increased business activity from newly freed capital would more than compensate through increased tax revenue. The Altus Group estimates the typical multi-unit residential income property transaction in the Greater Toronto Area, Greater Calgary Area and Greater Vancouver Area generates \$287,850 in ancillary spending. The Altus study also found more than one job was created for every two transactions¹. The increase in ancillary spending and job creation mitigates the loss of Capital Gains Revenue to the government and approximates a revenue neutral effect of this measure.

Explanatory Notes Capital Taxes

If one disposes of a depreciable piece of property, there two things that could be triggered:

1. Recapture of Capital Cost allowance: This would be if the property were sold and it sold for more than the depreciated value. The difference between depreciated value and actual cost would be recaptured and considered income in the year of disposition; and
2. Capital Gains: This is the difference between cost of the property and any gain over cost. 50% of this gain is considered income.

In summary the difference is recapture of capital cost allowance is 100% of the recapture is taxable vs capital gains where only 50% is taxable.

Tax Deferral – is a process of deferring the recognition of income over a longer period. This facilitates taxes being paid on income but in the case of this policy would serve to reduce the balloon increases in income².

Tax Treatment of Rental Income

In addition to the treatment of capital gains on rental properties, the rental income they generate falls under the definition of ‘aggregate investment income’ in the Canada Income Tax Act (CITA). Since it is not ‘active business income’, a Canadian Controlled Private Corporation (CCPC) is not able to take advantage of the small business credit, which reduces the corporate tax rate to only 13.5% on the first \$500,000 of active business income. Furthermore, since ‘aggregate investment income’ is excluded from the definition of ‘full rate taxable income’, the CCPC will also not be eligible for the General Rate Reduction. This means that the starting point of the corporate tax rate on this type of income can exceed 40 per cent. To potentially qualify for a lower rate, the business must be classified as a ‘Principal

1 http://www.torontorealestateboard.com/about_treb/lobbying/submissions/2010/CREA-Capital_Gains.pdf

2 CD Howe Institute No. 94 April 2006, “Removing the Shackles Deferring Capital Gains Taxes on Asset Rollovers” http://www.cdhowe.org/pdf/backgroundunder_94.pdf

Business Corporation' (PBC). A PBC's primary business must be the leasing, rental, or the development for lease, rental or sale of real property owned by them, and they must employ at least six full-time employees. Most of the companies that provide the majority of rental housing in Canada do not meet these requirements and therefore are taxed at the higher rate.

Furthermore, governments have moved to discourage the use by corporations to defer tax on investment income, instituting an Additional Refundable Tax (ART) on aggregate investment income that qualifies for a dividend refund. This is an additional tax on corporations that aggregate investment income and don't pass along the income through dividends to their shareholders. The ART adds a tax of 6.7% on the aggregate investment income of CCPCs, which makes the corporate tax rate for CCPCs roughly equal to the highest individual marginal tax rate.

The effect of these definitions and requirements has been to deter investment in rental housing, directing it to other real estate sectors such as the hotel and accommodation industry, where the requirements and tax treatment on active business income are more favourable.

Effects of the GST on Rental Housing

Since it was introduced in 1991, the GST has discriminated against rental housing by providing a rebate for ownership housing but none for rental units. In addition, because residential rents are classified as exempt rather than zero-rated under the GST, landlords are unable to recover tax paid on the purchase, repair or improvement of residential buildings. Allowing for a zero-rated designation would mean that because landlords cannot charge GST on rent, they would be able to claim GST on their Input Tax Credits.

All taxes induce people to behave in certain ways. It is clear that the changes in tax policy of the last 25 years applying to investment in real property, and specifically rental property, have resulted in a lock-in effect, less activity in the rental housing industry, and an overall decrease in rental accommodation availability. Yet as noted at the outset, a healthy rental market is important to business operations since rental inventory provides housing for all levels of the employment spectrum³.

THE CHAMBER RECOMMENDS

That the Federal Government, when fiscal conditions allow:

1. Enact deferral of capital gains tax on the sale of residential rental and mixed-use property, when the proceeds of sales are reinvested within a six-month period into other residential rental and/or mixed use property investments;
2. Defer the recapturing of the value of depreciated capital cost allowances on residential rental and mixed-use property;
3. Include rental income under the definition of "active business income" for CCPCs in the CITA legislation;
4. Allow a 100 per cent refund of GST paid by businesses investing in rental housing; and,

³ <http://www.hafezrealty.com/news/25.pdf>

5. Zero-rate rental housing operations to allow landlords to claim ITCs on their expenses.

ROAD TRAVEL REBATE INCENTIVE PROGRAM FOR INCREASED TOURISM REVENUE (2015)

Canadian border towns face serious economic challenges in an era of expanding online commerce and a significant sales tax percentage differential between Canada and the United States. However, a simple and cost-effective Road Travel Rebate Incentive Program (Road TRIP) such as the one championed in recent years by a broad range of political leaders and industry stakeholders could increase Canadian revenue and employment considerably. These economic benefits would accrue overwhelmingly to the Canadian border towns where they would make the maximum positive impact.

Over the past decade, these border communities have suffered the consequences of high gas prices, increased competition from American and online retailers charging lower sales taxes, a depressed American economy, and tightened border security following the September 11th terrorist attack on the World Trade Center. The combined effect of all of these factors has been disastrous for the Canadian border towns that depend on the jobs and revenue stimulated by American tourists.

Since 2002, Canada has experienced an overall 23.9% decline in American visitors. If that statistic was not troubling enough, the picture darkens considerably when it focuses on the specific experience of Canadian border communities during that same period. Same day visitors, who are understood to be mainly road travelers, have declined by a full 55.9%. Furthermore, depressed border tourism tends to affect small and medium-sized businesses severely. Using Duty Free retailers as an example, these tourism-dependent outfits have experienced an approximate 40% decline in sales since 2002.

However, the conditions are currently ripe for reversing this trend. The U.S. economy is recovering from its long recession with a stronger dollar, lower gas prices, and Americans who are ready to travel again. In fact, the number of Americans carrying passports today has doubled since 2008 to reach 100 million. Despite declines over the past decade, the U.S. remains Canada's largest source of tourism and shopping ranks among the top three reasons for traveling to Canada, so these travelers are predisposed to enrich the Canadian economy. The Canadian tourism industry is poised to capitalize on these promising conditions by mounting robust new marketing initiatives. In particular, the Tourism Industry Association of Canada's industry-championed 'Connecting America' initiative is reaching out to Americans living within a four-hour drive of a border crossing in order to increase Canada's gross receipts from tourism by a projected \$1.5 billion.

In this context of serious challenge and emergent opportunity, Road TRIP has the potential to reinforce positive trends with little to no government cost and a simple plan for implementation and monitoring. Initially proposed by the Frontier Duty Free Association, this 3-year pilot program would provide cross-border visitors with a rebate of the 5% Goods and Services Tax (GST) on goods verified as exported from Canada. These 'traveler incentive' rebates would be processed in the Canadian land border Duty Free shops where the Canadian export status of the goods can be verified. If implemented, Road TRIP would be aggressively marketed to American tourists with a 'Take 5' (5% tax rebate) campaign that would work in tandem with the overarching 'Connecting America' initiative. With this approach, Canada could stand to once again become an attractive destination for American shoppers who have been dissuaded by large sales tax differentials of as much as 15%.

Econometric Research Limited's (ERL) 2014 study of Road TRIP's projected economic impacts led the esteemed consulting firm to offer its unqualified endorsement of the program. They found that demand for tourism exports appears to be generally price elastic, meaning that a 1% reduction in the cost of Canadian export goods causes a larger than 1% increase in demand for such goods. Given this elasticity of demand, they determined that the 5% rebate could cause tourism flows to rise incrementally by up to 620,000 visits annually. In this scenario, Canadian Gross Domestic Product could rise by up to \$89.6 million; workers could experience wage and salary increases of up to \$55.6 million; and up to 1,374 Full Time Equivalent Jobs could be created. Struggling border communities would capture the lion's share of these gains, experiencing transformative and sustained benefits.

While Road TRIP represents a potentially game-changing deal for border communities, its cost to the government is projected to be negligible. ERL estimates that cost to fall between \$5.2 and \$9.0 million in GST rebates, a sum that is handily offset by increased tax revenues from economic growth. In fact, in a high elasticity of demand scenario, those tax revenue increases could exceed \$40 million. Even according to the most conservative calculations and under the most adverse conditions, Road TRIP would remain revenue neutral.

Finally, Road TRIP promises to be lucrative without being administratively onerous. Duty Free retailers can easily and effectively implement the program since they have the existing capacity to verify export goods and award rebates at a time close to actual purchase. Also, they are well positioned to recapture a good portion of these rebates and increase sales of Canadian products. Duty Free operators report that up to 60% of customers who are awarded rebates will spend them in their shops, where Canadian-made goods like wine, ice wine, maple syrup, and crafts predominate. Furthermore, the Duty Free industry is able to track the data the government will need to conclusively assess the program's cost and benefits.

Since the benefits of a tourism-boosting initiative like Road TRIP are so clear, it should come as no surprise that many of Canada's competitors in the global tourism market have already adopted similar programs. Rivals, such as Great Britain, India, and the European Union, are already enjoying a competitive advantage over Canada thanks to their tax rebate programs for international visitors. Given the exponential changes taking place in the global tourism market—25 years ago, only 10 countries were contending for tourism dollars, while today over 100 countries are vying for market share—the Canadian tourism industry needs to secure competitive advantage whenever and wherever it can. For this reason, members of Parliament, several chambers of commerce, municipal politicians, industry stakeholders such as the Tourism Industry of Canada and the Retail Council of Canada, and scores of key duty-free supplier companies are strenuously championing the Road TRIP 3-year pilot program.

THE CHAMBER RECOMMENDS

That the Federal Government:

1. Launch a 3-year pilot project for a Road Travel Rebate Incentive Program that would make international visitors eligible for a rebate of 5% GST on goods exported from Canada; and
2. Authorize Duty Free operators to process these rebates, and track the data necessary for assessing the program's costs and benefits.

THE LOCKED-IN ESTATE TRUST – A RESPONSE TO CANADA’S COMING PENSION CRISIS (2015)

Summary

The Chamber recognizes the severity of the pension reform problem in Canada and in 2010 at their AGM adopted a policy titled “The Base Principals of Pension Reform”. There looms a pension crisis for Canadians in the near future. The federal government will be unable to fund the pension requirements of the baby boomer retirees let alone the requirements of subsequent generations of retirees. A Locked-in Estate Trust (LIET) is one of the many required solutions that would allow for individuals to privately fund LEIT’s with the money being held in trust for the future benefit of the named beneficiaries of the LEIT.

Statement of the problem

Our federal and provincial finance ministers are seeking solutions to protect older Canadians from income shortfalls during their retirement years, but there are few solutions on the horizon. At the same time, many older Canadians, through hard work and extraordinary windfalls in the housing market, find they have accumulated a great deal of wealth, but ironically, have little cash flow to supplement their own retirement.

It is estimated that as much as \$1 trillion footnote will pass to the next generation of Canadians through estate transfers. Acutely aware of the value of their estates, many older Canadians have concerns about the wisdom of passing on such large lump sum estates to children and grandchildren.

Creating a new financial instrument could provide seniors with income now from their valuable estates and at the same time allow them to utilize family wealth to ensure that their children and grandchildren are able to receive private pension income when they retire. This could be fashioned similar to the Charitable Remainder Trust which is widely used and promoted in the United States.

A Locked in Estate Trust (“LIET”) would provide a creative solution to our specific demographic quandary where the size of the retired population will soon far outweigh the working population. It also has the potential to remove some of the well documented and anxiously anticipated strain on the government’s ability to provide Old Age Security and Guaranteed Income Supplement funding to Canadian seniors as the baby boomer bulge exits the workforce. Furthermore, a LIET would provide an investment vehicle that could ensure financial independence for subsequent generations of Canadians.

In recognition of the importance of responsible federal fiscal policy, the federal tax revenue will actually be enhanced by this account on a deferral basis. Typically, contributions to the LIET will result in a deferral of capital gains tax of which only 50% of the gain is taxed, whereas the subsequent withdrawal can and will be taxed as 100% regular income at the current marginal tax rate resulting in incrementally larger revenue tax stream.

Furthermore, this account could be used for the generational transition of small business interests similar to a “Family Trust” with this inclusion of limiting access to the revenue and pension income by the beneficiary until the beneficiary if at age 55.

Details of the problem

Large pools of wealth in private portfolios transferred to a LIET would have the potential to significantly reduce the drain on government pension resources. It could also represent significant tax savings to

individuals who make a decision to move wealth into a LIET.

The LIET would work similar to already available trust vehicles (Charitable Remainder Trust) but with tax advantages to the donor or the settler, such as a non-refundable tax credit based on the amount transferred into the LIET. Funds inside the LIET would be allowed to accumulate tax free and be professionally managed and guided by a conservative investment strategy.

The donor would be permitted to access a percentage of the income generated by the LIET while they remain alive.

Named beneficiaries of the LIET would only be allowed to withdraw a legislated percentage of the capital and income of the LIET after age 55, similar to Locked in Retirement Accounts (LIRAs). This would ensure the long term viability of the LIET for future generations.

Because of the tax advantages, the decision to create a LIET would be made by the donor before death and would be an irrevocable decision or the LIET could be created as a Testamentary Estate Trust (After Death).

It is anticipated that the tax foregone (by the granting of a tax credit to the donor and by a deferral of a valuation of the donor's estate) is far outweighed by the reduction of costs related to pension benefits over the long term and the reduction in the benefits payable under Old Age Security and other government programs such as income tested health care and Guaranteed Income Supplement.

THE CHAMBER RECOMMENDS

That the Federal Government introduces an amendment to the Income Tax Act creating the Locked-In Estate Trust as a step toward solving the Pension Reform problem in Canada and allowing a mechanism for business and Canadians to offer a more stable financial future for generations to come

IMMIGRATION, REFUGEES AND CITIZENSHIP

FILLING THE GAP THROUGH ECONOMIC IMMIGRATION (2016)

Preamble

As Canada's Asia Pacific Gateway, the Province of British Columbia is positioned to tap into talent from other countries to fill gaps in the labour force, contributing to the ever-changing face of business today. Demographic challenges and competition amongst jurisdictions are growing significantly and the pace of demand for talented individuals means that Canadian companies must be allowed to effectively compete in this global context. Without the ability to tap into this highly-mobile talent pool, Canadian companies will fall behind, hampering our economic prosperity and reducing the opportunities available to all Canadians.

Business Issue

Chamber members are citing challenges in hiring and housing qualified workers as a barrier to growth. In urban centres with high costs of living, like Vancouver, Toronto, and Victoria, it becomes particularly challenging to fill gaps at the mid- to lower-end of the employment spectrum, particularly for skilled, entry-level as well as low-skilled, difficult-to-fill positions. Businesses then turn to hiring foreign workers, but are often frustrated by a complex bureaucracy and lengthy timelines.

Background

The next 20 years will see a continued exit of baby boomers from the workforce. This exit will create a strain on national finances in the form of reduced income tax revenue and an increasing expense in the health care system as the baby boomers age. As our workforce shrinks, demand will rise, and employers will have increasing challenges attracting and retaining the workers they need, when they need them.

The Government of Canada plans to bring in between 280,000 and 305,000 new permanent residents in 2016. Of this number, 160,600 people are expected under economic immigration, comprised of experienced professionals and skilled workers to support Canada's long-term economic growth.

Overview

Immigration to Canada can be either on a permanent basis or temporary in nature, such as to visit, study or work. Immigration, Refugees and Citizenship Canada (IRCC) handles large volumes of permanent and temporary resident applications across its extensive global processing network. The process of managing immigration files includes protecting the health, safety and security of Canadians. In collaboration with partners in the Public Safety portfolio as well as the Department of Justice and Health Canada, IRCC works to identify applicants who could pose security or health risks to Canadians. IRCC also works in partnership with other countries to mitigate risks and protect Canada from international threats.

To meet the admission targets set out in the immigration levels plan, IRCC must balance pressures related to processing high volumes of applications for temporary residence with backlog reduction strategies for various permanent immigration programs.

Process

Every foreign worker must obtain a work permit to legally work in Canada. The process by which a work permit is issued involves a complex employment confirmation scheme involving Employment and Social Development Canada (ESDC) and IRCC.

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As a general rule, an IRCC visa and immigration officer is not authorized to issue a work permit to a foreign worker unless, in the opinion of the officer, there are insufficient Canadians or permanent residents who can fill the potential position.

Involvement of ESDC is a convenient way for visa and immigration officers to determine whether the employment of the foreign worker is justified given current labour market conditions. With a confirmation of a valid job offer and a favourable opinion known as the "labour market impact assessment" (LMIA) from ESDC – provided security and medical qualifications have been met - the visa and immigration officer will then issue a work permit to the foreign worker. The process generally requires consultation with the employer and ESDC, national advertising and/or recruitment efforts, substantial documentary support and possible involvement of other government agencies. Without a positive LMIA assessment, a foreign candidate with a job offer often will not qualify for entry.

Temporary

Under the Temporary Foreign Workers Program (TFWP), IRCC facilitates the temporary entry of foreign workers needed to address labour market shortages and to provide other economic opportunities for Canadians, such as job creation and the transfer of new skills and knowledge. With a few exceptions, foreign workers must have an approved job offer and a work permit before arriving in Canada.

Permanent

IRCC manages the permanent entry of foreign workers under the Economic Class, including programs such as Federal Skilled Workers, Provincial Nominee, Live-in Caregiver as well as Business. Due to the lengthy timelines associated with applications for permanent residency, employers may turn to the TFWP as a faster alternative, which can be days. As an added benefit, employing a TFWP worker who is applying for permanent residency may increase the candidate's eligibility as she or he gains Canadian experience.

Timelines

As outlined in *Annex A*, the processing times for entry as a permanent resident can be lengthy, anywhere from 9 to 97 months. The lengthy timelines, coupled with the LMIA requirement, creates a scenario where the employer identifies the required talent and makes a job offer, but the candidate is either not selected to immigrate or has moved on to other opportunities in the interim. Skilled foreign nationals have personal lives and families to consider, and for them as well as their prospective employers in Canada, the unpredictability in the provision of the talent to meet organizational objectives is highly problematic.

Express Entry

Introduced in 2015, Canada's Express Entry system promised transformative change in economic immigration and the opportunity for employers to be involved in immigrant selection.

Express Entry is an electronic application management system for skilled workers to seek permanent residency. It adds a competitive element by selecting candidates based on their scores in a comprehensive ranking system. Scores are assigned based on factors such as education, Canadian work experience and valid job offers.

Job offers must be accompanied by a positive Labour Market Impact Assessment (LMIA) from Service Canada to confirm that no Canadian or permanent resident is available to take the job. Without the assessment, a foreign candidate with a job offer will not receive the 600 points, without which the candidate will likely not receive an invitation from IRCC to apply for permanent residency through the Express Entry system.

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By inserting the LMIA process into Express Entry, the government has put two competing policy principles in play. On the one hand, the Government of Canada wants to facilitate employers' access to a pool of international talent, and on the other hand, it does not want employers to look at international candidates because the government wants Canadians first in the jobs. In the past, the government had other ways to validate job offers for permanent residency applicants. The LMIA is the wrong policy tool for this purpose.

The new government can simply and effectively adjust the system by bringing back a demand-driven focus to immigrant selection. The Canadian Chamber recommends that the government award points in the Express Entry process for a job offer, without requiring a Labour Market Impact Assessment. Instead of an LMIA, the department could build on the Arranged Employment Opinion (AEO) approach that was used in the Federal Skilled Worker Program until May 2013.

Summary

Canadian businesses face an unprecedented level of competition. In order to create jobs and contribute to our country's standard of living, they must have access to the best possible talent. Improving the current process will increase Canadian competitiveness and ensure that newcomers more successfully integrate into the Canadian economy.

THE CHAMBER RECOMMENDS

That the Federal government:

1. Award points in the Express Entry process for a job offer, without requiring a Labour Market Impact Assessment; and
2. Build on the Arranged Employment Opinion (AEO) approach that was used in the Federal Skilled Worker Program until May 2013.

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Annex A: Processing Times (Permanent)1			
Immigration Categories	% Finalized	2015 (mos)	2014 (mos)
Federal Skilled Workers (C-50)	50%	9	31
	70%	12	46
	80%	14	51
Federal Skilled Workers (MI-1)	50%	61	52
	70%	65	54
	80%	67	56
Federal Skilled Workers (MI-2 and beyond)	50%	9	14
	70%	11	23
	80%	13	31
Federal Skilled Workers (MI-2)	50%	51	38
	70%	53	41
	80%	55	43
Federal Skilled Workers (MI-3 and beyond)	50%	9	12
	70%	11	17
	80%	13	24
Business	50%	65	59
	70%	97	63
	80%	97	66
<i>Entrepreneurs</i>	50%	88	73
	70%	97	82
	80%	97	87
<i>Self Employed</i>	50%	65	35
	70%	97	48
	80%	97	71
<i>Investors</i>	50%	73	60
	70%	82	63
	80%	87	64
Live-in Caregiver Program	50%	27	22
	70%	41	38
	80%	47	43
Provincial Nominees	50%	11	9
	70%	13	12

Annex B: Processing Times (Temporary)2			
Immigration Categories	% Finalized	2015 (days)	2014 (days)
Temporary Resident Visas Processed Abroad	50 %	7	6
	70 %	12	10
	80%	16	14
Study Permits Processed Abroad	50 %	15	18
	70 %	28	31
	80%	38	39
Temporary Work Permits Processed Abroad	50 %	12	14
	70 %	35	34
	80%	48	57

1 [Permanent Resident Applications Processed Abroad and Processing Times](#) (CCIR, April 2016)

2 [Temporary Residents Applications Processed Abroad and Processing Times](#) (CCIR, April 2016)

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	80%	15	15
Canadian Experience Class	50%	11	10
	70%	14	11
	80%	15	12

Annex C: Approval Ratios¹									
Immigration Categories	2015			2014			2013		
	Jan 1 to Dec 31			Jan 1 to Dec 31			Jan 1 to Dec 31		
	Cases Passed	Cases Refused	Approval Rate*	Cases Passed	Cases Refused	Approval Rate*	Cases Passed	Cases Refused	Approval Rate*
Skilled Workers	21,285	2,366	90%	14,125	3,562	80%	16,786	3,733	82%
Federal Skilled Workers (Pre-C-50**)	36	26	58%	289	133	68%	1,859	496	79%
Federal Skilled Workers (C-50)	21,249	2,340	90%	13,836	3,429	80%	14,927	3,237	82%
Federal Skilled Workers (MI-1)	528	204	72%	5,169	1,250	81%	8,956	1,383	87%
Federal Skilled Workers (MI-2)	129	75	63%	907	328	73%	2,262	377	86%
Federal Skilled Workers (MI-3 & beyond)	20592	2061	91%	7,760	1,851	81%	3,709	1,477	72%
Business	1,624	1,226	24%	871	1,096	44%	1,419	638	69%
<i>Entrepreneurs</i>	63	3	89%	61	138	31%	106	192	36%
<i>Self Employed</i>	303	1,145	19%	123	374	25%	98	150	40%
<i>Investors</i>	1,218	71	58%	683	579	54%	1,215	296	80%
Provincial Nominees	21,692	1,096	95%	19,053	1,032	95%	20,906	648	97%
Live-in Caregiver Program	13,423	732	95%	13,674	506	96%	7,277	255	97%
Canadian Experience Class	11,614	1,296	90%	13,919	625	96%	5,368	1,957	73%

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Skilled Trades	1,117	158	88%	63	112	36%	15	36	29%
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*Approval Rate: Cases Approved / Cases (Approved + Refused)

**FSW C-50 are Federal Skilled Workers with application received date after February 26, 2008

Annex D: Approval Ratios (Temporary) ²									
	2015			2014			2013		
Temporary Resident Visas Processed Abroad	1,301,138	279,605	82%	1,107,758	252,359	81%	974,335	202,089	83%
Study Permits Processed Abroad	132,956	53,576	71%	127,329	49,867	72%	119,096	38,535	76%
Temporary Work Permits Processed Abroad	181,143	17,437	91%	139,196	25,125	85%	136,275	22,362	86%

ENHANCING THE WORKING HOLIDAY VISA IS PART OF THE SOLUTION TO B.C.'S RESORT COMMUNITIES LABOUR SHORTAGE (2015)

Issue

Canada faces steep demographic and workforce challenges in the coming years. As an example, in B.C., more than one million jobs are due to be created in the next decade with only 650,000 workers to fill them. The tourism industry alone is projecting an average rate of employment demand growth of 1.6% from 2011-2020 that translates to more than 100,000 full-year job equivalency openings from 2011-2020 (44,000 due to anticipated growth, 57,000 due to retiring workers), from a base of approximately 250,000 full-year job equivalencies¹. For resort economies in B.C., the Working Holiday visa is a key mechanism for employers seeking to fill positions in their business so B.C. can continue to offer world-class experiences to visiting guests. In just one year, from 2013/14 to 2014/15, the number of unfilled positions on opening day (also known as the 'opening day vacancy rate') doubled for the 31 B.C. ski resorts that participated in go2HR's annual Winter 2014-15 Staffing Levels Survey – from 1.3% of all positions to 2.7%.

The opportunity

Immigration will play an enormous role in B.C.'s ability to address its labour market challenges and

¹ go2 submission to BC Immigration Task Force, February 2012

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secure its economic development success in the next decade. This is because:

- Under-represented labour sources e.g. older, disabled, aboriginal and new immigrants will address only a small portion of the anticipated supply shortages;
- Aside from aboriginal youth, the only growth in the labour market will be from immigration; and
- Entry-level, front-line and seasonal positions are traditional first jobs of youth, but the declining youth population means existing supply side challenges for these positions will deteriorate significantly. For example, 2013 B.C. Ministry of Education statistics show a total of 63,435 Grade 12 Students, but only 44,288 Grade 7 students.

The International Experience Canada (IEC) Program

The IEC Program, formerly known as the Working Holiday Visa Program, manages Canada's youth mobility arrangements and agreements with different countries around the world and offers travel authorization and temporary work permits to young people aged 18-35 for up to one year. As just one helpful example - and to speak to a bilateral agreement that consistently displays excellent reciprocity - in 2007, Canada struck an agreement with Australia that extended the duration of their respective Working Holiday Visas from one to two years. The Agreement was also amended to enable Canadian and Australian youth to make multiple applications via the program.

Case study: Impact of the IEC Program in the tourism sector

Although the IEC Program is available and accessible to a range of sectors, the tourism sector in particular relies heavily on the Program to attract and retain workers.

The tourism sector's reliance on the program is reflected in the results of the most recent Canada West Ski Area Association's annual employer survey². Of most interest is the number and percentage of international workers – both temporary foreign workers and those who work under IEC Program - as a proportion of the workforce:

- The total number of all positions included in the survey was 10,892. Of these positions, 71% were Canadians and 29% were foreign nationals (similar to survey results the previous year);
- Of the total number of international workers hired, 93% were acquired through the IEC Program with the remaining 7% sponsored through the Temporary Foreign Worker Program;
- Visas secured under the IEC Program represented 27% of overall counted hires.

The Example of Whistler, B.C.

The community of Whistler serves 2.7 million visitors annually and drives 22.5% of the tourism export revenue for the Province of British Columbia and \$428 million in annual tax revenue to the three levels of government³. These impressive numbers would not be possible without the tremendous contribution of Working Holiday Visa holders to the local labour pool. It is worth noting that Whistler's unemployment was measured at 2% in 2013 by the Resort Municipality's Community Life Tracking Survey.

Whistler Blackcomb, the largest employer in town, manages over a third of total workforce. The IEC program is used to augment the mountain workforce and accounts for approximately 27.5% of their total workforce (of note, TFWs accounts for only 2.5% of their total workforce).

Additionally, the Whistler Housing Authority has addressed housing as a possible barrier to workers coming to the resort:

² Canada West Ski Areas Association, Winter 2014-15 Staffing Levels Survey

³ Economic Partnerships Initiative, Resort Municipality of Whistler, October 2013

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- Whistler currently houses 81% of its employees locally in Whistler and 63% of the resident workforce lives in resident restricted housing; and
- Since 2009, Whistler has created 1,750 new resident restricted beds at Fitzsimmons Walk, Cheakamus Crossing, Rainbow and through infill employee housing initiatives. This is a 31% increase in new resident restricted housing built for the workforce in the last 5 years, whereas there has only been a 1% increase, during this same period, in the peak winter workforce.

Measuring the Impact

The extension of the Australian Working Holiday Visa has now been in place for seven years. In the context of the tourism sector alone, the following observations can be made:

i. Impact on tourism to Canada

Although causality has not been proved, and noting that there are many other factors that have contributed to the growth in numbers of visitors from Australia e.g. strong AUD, strong economy, cheaper flights etc., the extension of the Australian Working Holiday Visa may also have contributed to the 18% increase in number of Australian visitors to Canada over the same period⁴. A stronger relationship with e.g. the U.K., would likely have a positive, long-term impact on tourism from that market.

ii. Impact on employers, employees and our communities

The extension of the Australian Working Holiday Visa has positively impacted employers, employees and our communities in the following ways:

- Employers have access to a pool of highly qualified, often skilled and engaging individuals who settle into the community quickly and who contribute positively to the overall guest experience;
- Employers save time and money by not having to dedicate substantial resources to annual international recruitment process and instead can dedicate time and resources towards provision of staff development and retention throughout the two-year period;
- Employees, under a two-year visa, have a more comprehensive and fulfilling experience with their Canadian employer and, as a result, can leave with a valuable addition to their resume; and
- Some employees who are on a progressive career path and who enjoy the Canadian lifestyle pursue Canadian permanent residency in order to continue their career here, build families and contribute to the community in a variety of ways over the long term.

The extension of the Australian Working Holiday Visa has resulted in multiple benefits as outlined above in the context of only one sector. It needs to be maintained and replicated with other countries in order to help address our provincial and national labour market challenges that extend across a variety of sectors.

THE CHAMBER RECOMMENDS

That the Federal Government enhances the IEC Program by:

1. Maintaining the present bilateral agreement provisions with Australia that allows a Working Holiday Visa with duration of a minimum of two years to be issued between the two countries;
2. Returning to the previous standard of 2 year renewals for the Australian-Canadian Working Holiday Visa up to age 30 for applicants;

⁴ Tourism BC, International Visitor Arrivals, December 2012

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3. Modifying the current bilateral agreements with the United Kingdom, Ireland and New Zealand, so that their associated conditions and criteria mirror those of the Canada-Australia bilateral agreement; and
4. Creating a similar arrangement, modeled on the Canada-Australia bilateral agreement, with other countries where capacity exists and security concerns are addressed and mitigated.

ADDRESSING THE TEMPORARY FOREIGN WORKER MORATORIUM (2014)

Background

B.C.'s ability to grow our economy will be determined by our ability to access workers with the necessary skills. The Chamber network has watched, with growing concern, moves by the federal government to restrict businesses ability to utilize the Temporary Foreign Worker Program (TFWP). The changes introduced last year made the program much harder to use. The recent decision to close the program to restaurants altogether is a further regressive step that will harm many small businesses across Canada.

The recently released "[BC's Skills for Jobs Blueprint: Re-Engineering Education and Training](#)" (the Blueprint) was warmly welcomed by the Chamber network. Our members recognize that the plan builds on the success of the BC Jobs Plan which has resulted in a significant increase in the ability of B.C. businesses to locate and train the workers they need to grow and increase employment. More importantly, the plan addresses a consistent recommendation of the Chamber, which is to place the needs of the economy at the centre of government's education and training agenda.

As outlined in the Blueprint, estimates are that by 2022 B.C.'s economy will create a million jobs in all sectors and in all parts of the province. This reality demonstrates that the TFWP has an ongoing role to play in smoothing out the transitions of our economic prosperity as the program was intended to do. The growth of the TFWP is a symptom of Canada's growing challenge in human resources.

Our members are increasingly concerned that further restrictions will be placed on their ability to access the TFWP. Even more concerning is the possibility that the program will be eliminated for all lower skilled occupations.

The Chamber believes such an action would have profoundly negative impacts on businesses across the province. Responsible employers agree that the program should be used as a last and limited resort when Canadians are not available. Attracting Canadian workers is the first priority in recruitment, but the reality is that it's hard to fill low-skilled jobs if workers have to move to take them.

Relying on workers from abroad is an expensive process that includes recruitment and government fees, as well as significant transportation costs for employers. All of these costs challenge the myth that businesses are using the program to drive down wages, particularly when these workers must be paid at least as well as domestic workers with similar qualifications.

Nobody defends rule-breaking. When someone abuses a program, they create serious problems for the vast majority of companies that use it properly. However, the federal government already have the power to refuse a request to bring in a foreign worker. And, if an applicant commits fraud, they could face criminal charges and sanctions that include fines and jail time. But instead of targeting these powers at abusers, the changes are having the effect of penalized the broader economy. The Chamber believes

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governments at the provincial and federal level need to work together to enhance the enforcement powers that already exist and retain the integrity of a program that is of critical importance and communities and businesses across the province.

THE CHAMBER RECOMMENDS

That the Federal Government works with the Provincial Government to:

1. Place a priority on enforcement and prosecution of offenders prior to placing any further restrictions on the program;
2. Ensure that any further changes to the TFWP reflect the needs of the economy on both a regional and a sectoral basis;
3. Immediately provide a plan for review of the Temporary Foreign Worker program that is accompanied by an interim plan that will allow our resource communities to get back to work; and
4. Develop a labour mobility plan that will encourage Canadians to fill hospitality jobs and live and work in the Resource sector

EASIER ACCESS TO VISA PROGRAMS (2014)

Canada's visitor visa system could better facilitate economic trade and tourism and the business opportunities for B.C. and Canada would result.

At Canada's airports, information received from the Canadian Airports Council (CAC) is that over the past few years, visas have a tremendous but underappreciated impact not only on aviation but also on the trade and tourism related industries. Visas impact Canada's competitiveness as a tourism destination, the attractiveness of our international airport hubs for connecting traffic, the viability of potential new international routes, and the capacity, traffic volume and competition on existing routes, both international and domestic. This is important not just for our international gateways, but also for making smaller centres, which receive business travellers, international students and visiting family members from around the world.

There is broad interest in visas in two ways: Making the process easier for travellers who need visas, and low risk ways to get legitimate visitors out of the need for a visa altogether for travel to or through Canada. This is increasingly relevant to Canada's aviation sector because some of this country's biggest business opportunities for both the tourism industry and trade are with countries whose residents require a visa to visit Canada.

It is appreciated that visas play an important role in Canadian security and controlling who enters Canada. There are countries with tremendous tourism potential for Canada from which we currently require visas – countries like Brazil, China, Mexico, Turkey and India. In terms of economic trade and tourism growth, we suggest visa free travel from these countries, but we do recognize that visa requirements are in place for valid security reasons.

There is a balance involved. The right balance is in place, but that through greater use of technology and

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international best practices, we can be even more precise in facilitating the trade and tourism markets without sacrificing security and in a fiscally conservative manner.

It is also important to note that there is progress being made today. 130 Visa Application Centres are being opened, bring visa services closer to applicants and helping to reduce and helping to reduce application errors in important markets like China. We now have ten-year multiple entry visas, as well, visa requirements were just lifted for the Czech Republic. And while the introduction of a visa requirement for visitors from Mexico definitely had a negative impact on the tourism sector, we are hopeful that enough progress has been made to mitigate risk in other areas that this requirement can also be lifted soon as well. Mexico alone could deliver more than 130,000 additional visitors a year.

The Electronics Travel Authorization (ETA) requirement we understand to be implemented in 2015 will involve a new step for visitors from countries that currently require no visa today. This is a concern. That ETAs be low cost and low hassle is an imperative to soften its impact on travel demand, but ETAs also represent an opportunity if they are used as an intermediate screening tool that can allow for formal visa requirements to be lifted from some lower-risk markets.

So there are positive developments to report and we see this as an indication that the government is hearing what the air carrier, business and tourism sector have been relaying over the past few years about the importance of improvements in visa policies and procedures.

There are still ample opportunities for improvement. The current visa application process today is cumbersome. It asks a lot of information, is paper based, often requires a traveller to surrender his or her passport, and may entail long distance travel for in person interviews. It also can take a long time which is a huge problem for business travellers in particular. Business travel often needs to be arranged within days – not weeks or months – and a visa delayed is essentially a visa denied. Surrendering of passports can be a non-starter for many travellers and it is important that alternatives be both available and well communicated.

There are reports from foreign airlines, governments and from travellers themselves about how visas are impacting business and leisure travel, and Canada's reputation abroad. There was a case where a Turkish resident wanted to travel to Canada for a week. While he was able to very quickly get visas to enter the U.S. and the European Union, the process took months for Canada and his passport was held by Canadian officials while he waited. He had been advised by Citizenship and Immigration Canada (CIC) officials that if the application is originated online, a passport is only required for issuance of the visa upon approval. But at Visa Application Centres, they are surrendered immediately. Apparently even there, an official has some discretion, but this is not going to be known to the applicant, and surrendering a passport for weeks is a non-starter for frequent business travellers.

All of this can leave a negative impression of Canada with anyone, but imagine the broader implications when a business traveller looking to trade with Canada experiences similar hurdles. Those travellers will chose other markets, and instead of Canada, those markets will receive the economic benefits and jobs that result.

Anecdotes are not indicative of the bigger picture, but surely there are ways in which we could improve the visa process. The Tourism Industry Association of Canada notes in its recent report that visa restrictions on travel are estimated to negatively impact inbound visits by up to 31 percent, which means about 250,000 fewer visitors each year from Brazil, China, India and Mexico alone. Considering the

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average long-haul visitor spends nearly \$1,600, this would mean an additional \$375 million in foreign spending in the Canadian economy from just these four countries if we could significantly improve the visa process. Improvements could include increased reliance on electronic visa application processing and issuance such as it exists in Australia and elsewhere, procedures that allow applicants to keep their documents, regardless of application method and improved foreign language services. Also, consider taking a different approach to potential visitors who we have already screened or who have been screened by other countries. Visitors should be able to transfer Canadian visas to a new passport, for example. And while it is appreciated that Canada evaluates potential visitors based on different risk factors than other countries, a visa to the U.S. or to the European Union nevertheless demonstrates a certain amount of pre-screening, which should be a consideration for less complicated entry into Canada.

As well, there are individuals who have been granted long-term or permanent residency in a country from which we do not require visas – like the United States. For instance, a Chinese student studying at the University of California who would like to visit Vancouver for a weekend faces the same process that we would apply to a potential visitor who has never travelled outside of his or her country. A second area of visa policy of interest to our sector is getting travellers out of the visa and border queues altogether. In particular, Transit Without Visa is a program in place today that allows travellers from certain Asian cities visiting the United States on certain airlines to transit through Canada without a visa. This program has been successful and with very few abuses or violations of the program. Its expansion and improvement have been areas in we have seen some progress in our work with both Citizenship and Immigration and CBSA, but it is important that this progress continue as there are additional opportunities for Canada to take advantage of. While it may not be obvious how a traveller who spends just a few hours at a Canadian airport connecting to somewhere else is good for Canada, Canadian airports and air carriers are direct beneficiaries of these passengers. These additional passengers make viable international routes that might not otherwise be viable. On existing routes, they grow demand, which can grow both capacity and competition. New routes, more capacity and greater competition, in turn, help bring more travellers who are destined for Canada, which delivers benefits throughout the economy. In fact, a recent Conference Board of Canada study estimated that expansion of the existing Transit Without Visa program could have a \$270 million benefit in GDP and 3,200 jobs if Canada is able to attract just 5% of the connecting traffic between Asia and the United States. Canada's aviation sector isn't content to just stop there, however, there are tremendous opportunities available to flow travellers from Central and South America to Asia and Europe if we are able to expand Transit Without Visa to these travellers as well. Other countries understand this, which is why we have seen countries in the Middle East grow their market share of traffic between the Americas and both Europe and Asia exponentially in recent years – at the expense of North American hubs and airlines.

The University of Northern British Columbia (UNBC) is supportive of B.C.'s International Education Strategy (2012), which seeks to double the number of international students studying in B.C.'s educational systems by 2015. To achieve this provincial goal, the systems and supports outside of education need to efficiently and effectively address international student visa applications. At UNBC, they routinely have to make accommodations for international students who, despite their best efforts, are not able to obtain their visas in time to begin their studies with the cohort that they are admitted with. These international students may have to delay the start of their studies for one or two semesters. At UNBC, the international graduate students are often the ones who are most impacted by delays in visa processing. They are also aware that a portion of these students end up studying in other countries because they find the visa application process to be quicker (e.g., U.S.A. and U.K.). An efficient and effective International Student Visa procedure will enable UNBC to contribute to the Province's International Education Strategy (2012). An expedited international student process benefits the whole

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province.

UNBC attracts around 450 international students per year out of a total annual enrolment of about 4200. These students contribute about \$3.6 million in tuition fees. To put that into perspective, it represents more than 20% the total tuition received from all students or about 5% of UNBC's total operating budget. Or, as another comparison, UNBC spends about \$2 million per year to heat and light the university campuses. These figures do not include students in English language programming, or other revenues they obtain from international students such as residence fees.

The College of New Caledonia (CNC) continues to have issues with the length of time it takes an applicant to get a student visa. The current waiting period is currently somewhere between 6 weeks to 6 months, which makes it very difficult for students and institutions to plan. CNC has also experienced delays due to the closing of some visa offices, such as Japan, which means files have to be sent to other countries. For example, Japan visa applications must now be sent to the Philippines to be processed, which has slowed things down even more. In a nutshell, it is more difficult for Canadian post-secondary institutions to recruit international students because it is easier and quicker for them to obtain visas from colleges and universities in the U.S.A., U.K. and Australia.

So in conclusion, Canada's postsecondary institutions would highly benefit economically and socially with reforms to the international students' visa applications. As well, Canada's airports see tremendous opportunities coming from reforms to Canada's visitor visa policies and procedures. There are ways in which we are doing better, with programs like Transit Without Visa, and these can be expanded and improved upon even more. While nobody suggests that visas will ever go away completely for travellers from every country, we believe there are readily achievable ways to improve the process for those legitimate visitors who do require visas to visit Canada. There is tremendous upside for Canada to getting this right. It's important for the health of our tourism sector, for growing Canada's international trade, and even for Canada's reputation in the world.

THE CHAMBER RECOMMENDS

That the Federal and Provincial Governments support the amendment of the Visitor Visa program by:

1. Streamlining the process for travellers who need visas and remove the obstacle of surrendering passports for visitors who pose no threat to Canada's security;
2. Considering ways low risk ways to get legitimate visitors out of the need for a visa altogether for travel to or through Canada;
3. Expanding the Transit Without Visa program; and
4. Improving its student visa procedure to make it quicker and easier for potential international students to receive study and work visas

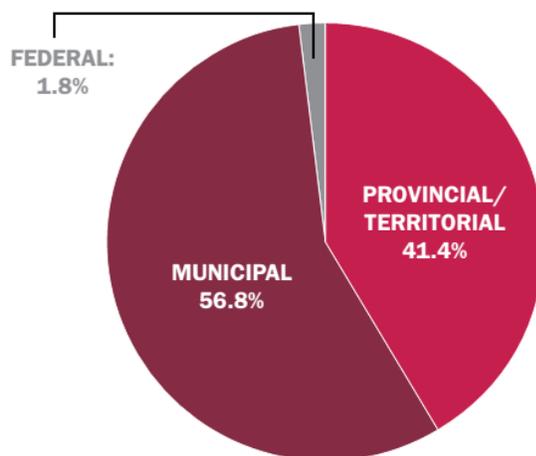
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PROTECTING OUR INFRASTRUCTURE - ASSET MANAGEMENT (2016)

According to a 2016 survey completed by the Canadian Federation of Municipalities (FCM), municipal governments own nearly 60% of Canada's core public infrastructure.¹ The value of these core municipal infrastructure assets is estimated at \$1.1 trillion dollars.²

Figure 1 - Net Stock of Core Public Infrastructure by Level of Government, 2013³

Notes: Net stock calculated using a depreciation model. 2013 data based on forecast.
Source: *Updating Infrastructure in Canada: An Examination of Needs and Investments.*
Report of the Standing Committee on Transport, Infrastructure and Communities, June 2015.



Municipally-owned infrastructure assets include, but are not limited to:⁴

- water systems;
- roads and bridges;
- buildings;
- sport and recreation facilities; and
- public transit.

The Federation of Canadian Municipalities estimates that the backlog of upgrade and expenditure of the existing municipally owned infrastructure in Canada to exceed \$123 billion dollars.⁵

In 2007, the Government of Canada launched the Building Canada Plan (BCP), which included a \$33 billion investment plan for federal, provincial/territorial and municipal infrastructure before 2014.⁶ Spending was accelerated under the Government of Canada's stimulus program in 2009 and 2010. In the 2011 budget, the federal government announced a process to develop a new long-term infrastructure plan

1 Federation of Canadian Municipalities (2016) *Informing the Future: Canadian Infrastructure Report Card*, page 5

2 Federation of Canadian Municipalities (2016) *Informing the Future: Key Messages*, page 2

3 *Figure 1 - Federation of Canadian Municipalities (2015) Policy Statement Municipal Infrastructure and Transportation Policy*, page 6

4 Federation of Canadian Municipalities (2016) *Informing the Future: Canadian Infrastructure Report Card*, page 5

5 Federation of Canadian Municipalities (2015) *Policy Statement Municipal Infrastructure and Transportation Policy*, page 2

6 Federation of Canadian Municipalities (2015) *Policy Statement Municipal Infrastructure and Transportation Policy*, page 1

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to replace the BCP, which resulted in the New Building Canada Plan (NBCP), a 10-year plan for federal investments in building and maintaining Canada.⁷

The NBCP was a federal government commitment to invest over \$53 billion in infrastructure across the country over the next 10 years (2014-2024).⁸

Two key components of the NBCP included:⁹

1. the New Building Canada Fund (NBCF) – a \$14 billion fund to support projects of national, regional and local significance that promote economic growth, job creation and productivity; and
2. the Federal Gas Tax Fund (GTF) – to date \$13 billion funding for local infrastructure projects, with close to \$22 billion anticipated to flow over the next 10 years.

To make the most of public investments, and eliminate the municipal infrastructure deficit, municipal governments need predictable, long-term revenue. The permanent and indexed federal Gas Tax Fund was a step toward that goal, laying the groundwork for a national plan to eliminate the municipal infrastructure deficit.¹⁰

The federal government's Economic Action Plan 2013, renewed the Federal Gas Tax Fund, indexing it at two percent per year, to be applied in \$100 million increments, which means that it will grow by \$1.8 billion over the next decade.¹¹

For British Columbia, the NBCP represents almost \$3.9 billion in dedicated federal funding, including almost \$1.1 billion under the New Building Canada Fund and an estimated \$2.76 billion under the Federal Gas Tax Fund.¹²

British Columbia also stands to benefit from:

- \$4 billion available for projects of national significance;
- \$1.25 billion in additional funding available for P3 projects; and
- \$10.4 billion via the GST Rebate.¹³

In the 2016 Federal Budget, the new federal government updated the NBCP numbers, increasing their commitment to asset management by an additional \$50 billion dollars. There will now be an additional \$60 billion over 10 years, split evenly between public transit, green infrastructure, and social infrastructure. This is in addition to the \$65 billion promised by the previous government for traditional infrastructure such as roads, bridges, and transportation. To fully leverage these funds, the provincial approach should be to group project priorities, and align provincial priorities with the available federal infrastructure funding opportunities.¹⁴

Federal funding is provided up front, twice-a-year, to provinces and territories, who in turn flow this funding to their municipalities to support local infrastructure priorities. Municipalities can pool, bank and

7 Federation of Canadian Municipalities (2015) Policy Statement Municipal Infrastructure and Transportation Policy, page 1

8 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html

9 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html

10 Federation of Canadian Municipalities (2015) Policy Statement Municipal Infrastructure and Transportation Policy, page 1

11 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html

12 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html

13 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html

14 Greater Vancouver Board of Trade, Provincial Infrastructure Strategy position 2016

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borrow against this funding which provides financial flexibility.¹⁵

With aging infrastructure and limited resources, our communities face huge challenges in financing the necessary repair, replacement and upgrade of our infrastructure. There are 196 municipal governments and 198 First Nations communities in British Columbia. Our communities, industry and businesses rely on our utilities, transportation and power system to sustain our business. Business interruptions due to broken water mains, poor roads, inadequate transit and other disruption causes economic loss to businesses and limits our ability to attract new businesses to our communities.

Our communities also face financial challenges from increasing standards and regulations without adequate financial mechanisms to pay for them. The primary resources at the municipal level are property tax. Our businesses pay a much higher tax rate than our residential taxpayers. Significant increases in property taxes are not affordable either for our businesses or for many of our residents.

Senior levels of government need to be more involved in renewing the basic fabric of our communities. Today, our communities receive only eight cents on every tax dollar collected by all levels of government, significantly down from 24 cents a decade ago.¹⁶

Our built environment or infrastructure is critical to the economic capacity and livability of our communities and the viability of our businesses within them.

Many communities are struggling with competing financial pressures and aging, failing infrastructure. Municipal budgeting processes currently fail to require accounting for future demands for infrastructure upgrades and replacement. Government support at all levels is required to renew our infrastructure as well as assist with paying for new and increased regulations and standards.¹⁷

While funding infrastructure remains a priority of the federal government, the emphasis continues to be on new infrastructure when our communities cannot reasonably cope with existing infrastructure. A core direction of current and new provincial funding programs needs to be directed to upgrade and replacement of existing infrastructure especially in medium and smaller communities with very limited tax bases.

A new report by the Canadian Centre for Economic Analysis (CANCEA) shows that the economic importance of public infrastructure investment is vastly greater than previously found using traditional economic models. Using unique agent-based modelling, CANCEA found that public infrastructure investments generate an economic return on real GDP that is almost eight times as large as the impact predicted by traditional economic models.¹⁸

A recent report entitled *'Investing in Ontario's Public Infrastructure: A Prosperity at Risk Perspective'* uses Ontario big data/big analytics approach to assess infrastructure impacts. The CANCEA team examined the long-term economic impact of Ontario's 10-year, \$130-billion infrastructure plan using its unique research platform called Prosperity at Risk. The research found that for every \$1 billion invested

¹⁵ www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html

¹⁶ www.cancea.ca

¹⁷ Federation of Canadian Municipalities (2016) Informing the Future: Canadian Infrastructure Report Card, page 6

¹⁸ www.cancea.ca

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in infrastructure as part of the Ontario \$130 billion 10-year plan, \$1.7 billion in provincial tax revenue will be generated relative to not making the infrastructure investment.¹⁹

The power industry estimates their backlog is in excess of \$300 billion for the renewal of the power grid plus unknown generation renewal costs.²⁰ There is also demand by school boards, health care facilities and universities and colleges for public funds for upgrades and replacement along with billions of dollars of assets owed directly by provincial, territorial or federal governments. However, for every dollar municipalities invest in local infrastructure, federal, provincial and territorial governments receive a combined 35 cents, mainly through new income and sales taxes – 18 cents going to Ottawa and 17 cents to provincial or territorial governments.²¹ There are benefits to investing in infrastructure for all levels of government.

Municipal governments are essential to identifying and implementing projects that respond to local needs, while contributing to regional, provincial and federal prosperity. However, municipal governments often lack the resources and expertise to deliver productive and sustainable infrastructure in a cost-effective and timely fashion. The cost and complexity of maintaining public infrastructure introduces significant risk to the effective use of taxpayer dollars. To alleviate this risk, provincial funding programs should require structured project selection criteria that will ensure value for money and continuity of high paying jobs in our communities.²²

The provincial and federal governments need to work together to prioritize investments to support trade-enabling infrastructure investment while building capacity of cities and communities to plan, build, and maintain their infrastructure over the long term. Prioritization and coordination between provincial ministries will help move goods that contribute to economic growth providing incentive for the private sector to make investments, while contributing to local economies through sustainable job growth and support to local businesses.²³

As the nation's Pacific Gateway, the provincial government must actively formulate an overarching strategy to prioritize investment, and attract federal funds. As communities in every province compete for funding, it is important that a consolidated provincial strategy is in place to ensure that attention is paid to the needs of British Columbia.

THE CHAMBER RECOMMENDS

That the Federal Government and Provincial Government execute as quickly as possible upon notice of Federal funding, the necessary Provincial-Federal agreements to ensure funding continues in a sustainable consistent manner that accrues to our communities for infrastructure improvements and upgrades, especially smaller communities for existing infrastructure, and required upgrades resulting from new regulations and standards.

¹⁹ www.cancea.ca

²⁰ Federation of Canadian Municipalities (2016) Informing the Future: Canadian Infrastructure Report Card

²¹ Canada 2020 – “Setting the New Progressive Agenda” June 2015

<http://canada2020.ca/crisis-opportunity-time-national-infrastructure-plan-canada/>

²² Greater Victoria Chamber of Commerce, Value for Money for Infrastructure Projects position 2016

²³ Greater Victoria Chamber of Commerce, Value for Money for Infrastructure Projects position 2016

INNOVATION, SCIENCE AND ECONOMIC DEVELOPMENT

ENCOURAGING INNOVATION IN THE SR&ED PROGRAM (2015)

Creating a positive and supportive environment for innovation in Canada is the key to a prosperous economic future. It is well known that Canada is lagging behind other countries in terms of R&D spending and the development and commercialization of new products and services. Improving Canada's global competitiveness is one of the most important issues on the national agenda.

Navigating the path forward is challenging and complex. The report done for the federal government and released in October 2011 on R&D spending in Canada (The Jenkins Report) made a number of recommendations. The federal government welcomed the report, but has only acted on some of the measure. Although the Jenkins Report correctly identified the importance of encouraging innovation, some of its conclusions may ultimately hinder rather promote energetic entrepreneurial endeavours.

For instance, the Jenkins Report recommended that the Scientific Research and Experimental Development (SR&ED) program be overhauled and simplified. Unfortunately, the suggested re-organization could ultimately prove negative for Small and Medium-sized Enterprises (SMEs) who are capital intensive businesses.

Consider the following, the Jenkins report recommended basing the SR&ED tax credit on labour-related costs and over time shift those funds from the tax credit to a set of direct support initiatives for SMEs. This recommendation was implemented by the federal government in Budget 2012.

The simplified SR&ED program creates a bias towards research being carried out by labour intensive industries at the expensive of capital intensive manufacturing industries. Capital investments, both tangible and intangible have been shown to be essential components of innovation. The SR&ED process often includes the costs of capital equipment for testing, prototype production, and the cost of materials and outside consultants.

To help enhance the impact of innovation programs, such as SR&ED, in a more consolidated manner, the Jenkins Report also calls for a new government body to help entrepreneurs commercialize their ideas. If implemented, this Industrial Research and Innovation Council (IRIC) might require an expanded bureaucracy that could impact the limited funds available for R&D. An IRIC would also seek to centralize decision making. This would mean projects would have been pre-approved, potentially leading to significantly less R&D by smaller companies that lack the time and/or money to make such applications to a distant authority.

Furthermore, SMEs often develop new products based on the needs of customers. Waiting for pre-approval will slow the process and discourage innovation. To date, the federal government hasn't acted on the recommendation for an IRIC.

When applying the SR&ED program, the tax credits that are applied are based on audits by the Canada Revenue Agency (CRA). Rather than phasing out of the tax credits, the CRA needs a more streamlined, clearer list of criteria for tax credit applications. Too often worthy projects that are approved one year are rejected the next. This is sometimes due to changes in CRA policies or even personnel.

The recommendation to expand the decision-making role of the National Research Council (NRC) is another of the report suggestions for improving innovation. This is a positive step. The determination of SR&ED tax credits should be set by the NRC or IRAP, rather than the CRA.

INNOVATION, SCIENCE AND ECONOMIC DEVELOPMENT

THE CHAMBER RECOMMENDS

That the Federal Government:

1. Encourage continual review of the SR&ED program to ensure fair access for all industries and businesses;
2. Continue to ensure SMEs are eligible for SR&ED tax credits; and
3. Implement a plan for SR&ED that avoids a bureaucratic pre-approval and/or eligibility test for direct funding.

INCREASED FREE TRADE AGREEMENTS WITHIN THE PACIFIC GATEWAY (2015)

British Columbia and Canada are both considered small, trade-dependent, open markets. As such, international trade is a key driver of economic growth that enables job creation and economic prosperity. As stated by the B.C. Ministry of International Trade, “*removing or reducing barriers to trade and investment, and mitigating impacts in sectors affected by increased foreign competition have a proven track record of stimulating economic growth*”.¹ Without access to new markets, B.C. ability to further enhance its economic growth will be hindered over the long term.

Free trade agreements (FTAs) are one of the most effective means to improve trade conditions for both exporters and investors. FTAs reduce tariff and non-tariff barriers, and protect the interests of companies exporting and investing in other countries. These agreements also have intangible benefits, including dramatically raising Canada’s profile with trading partners, which in turn can attract new investment and interest in our exports.²

According to Canada’s Department of Foreign Affairs, Trade, and Development, “*trade is equivalent in value to more than 60 per cent of Canada’s gross domestic product (GDP), and exports are directly linked to one in five Canadian jobs. Canada’s prosperity requires expansion beyond our borders into new markets for economic opportunities that serve to grow Canada’s exports and investment.*”³

While most Canadian provinces and territories still export primarily to the U.S., B.C. is unique in that its exports are quite diversified. For example, in 2014, the United States accounted for only 50.6% of B.C.’s worldwide exports and Asia Pacific countries accounted for 40%. Through enhanced FTAs, it is hoped that British Columbia and other provinces can continue to diversify and grow their economies.⁴

At present, Canada has 12 Free Trade Agreements (FTAs) in force or concluded, representing 43 countries, and is in further discussions or ongoing negotiations with many other jurisdictions around the globe. The current federal government must be commended for its ambitious trade plan, having concluded nine agreements in the past seven years. The most recent FTAs to be concluded are with South Korea (which came into force on Jan. 1, 2015) and the 28-member European Union (which is expected to come into force in the next 12 to 18 months). These Agreements will provide a competitive advantage in a wide range of sectors for Canadian businesses:

Canada - European Union: Comprehensive Economic and Trade Agreement (CETA)

In September 2014, the Government of Canada the European Union held a signing agreement to signal the conclusion of negotiations. This Agreement provides Canada with guaranteed preferential access to the world’s largest economy. With 28 member states, 500 million people and annual economic activity of almost \$18 trillion, the EU is a global economic powerhouse.⁵

Preferential access to this market offers B.C. businesses, not to mention other Canadian businesses tremendous competitive advantages, especially compared to U.S. business looking for similar U.S. agreement to gain liberalized access to the EU market. It is anticipated that CETA could bring a 20 per

1 <http://www.mit.gov.bc.ca/DomIntlTrade/>

2 <http://www.mit.gov.bc.ca/DomIntlTrade/>

3 <http://international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/understanding-comprendre/brief-bref.aspx?lang=eng>

4 BC Ministry of International Trade, staff correspondence

5 <http://international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/understanding-comprendre/brief-bref.aspx?lang=eng>

cent boost in bilateral trade with the EU and create a \$12 billion annual increase to Canada's economy.⁶ CETA also gives Canadian companies access to one of the world's largest procurement markets worth \$3.3 trillion annually.⁷

Canada Korea Free Trade Agreement (CKFTA)

The CKFTA provides enhanced access to the world's 15th largest economy, the fourth largest in Asia, with an economy of \$1.3 trillion and a population of 50 million. South Korea is Canada's seventh largest trading partner and B.C.'s fourth largest. Over half of Canada's exports to South Korea originate from British Columbia. This ground-breaking agreement constitutes Canada's first free trade agreement with an Asian trading partner. The CKFTA is projected to create thousands of jobs and boost Canada's economy by \$1.7 billion as result of the anticipated increase in Canadian exports to South Korea by 32%.⁸

Today, the fastest growing economies in the world are those in the Asia Pacific. It is anticipated that on average, the economies in this region will grow by 6.4% in 2015, continuing to be a driving force in world economic growth.⁹ The CKFTA is an excellent foot-in-the-door to the many opportunities offered by the emerging economies of Asia.

Capitalizing on the rapidly growing Asia Pacific markets will be critical to Canada's future growth and economic prosperity. To this end, Canada is actively working with 11 other countries (Australia, Brunei Darussalam, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam) to establish the Trans-Pacific Partnership (TPP).

The TPP is a very ambitious initiative focused on strengthening trade and investment among the partner countries by promoting innovation, economic growth and job creation. The economic benefits of this agreement would be significant as the current TPP nations represent a market of 792 million people and a combined GDP of \$28.1 trillion (approximately 40 per cent of the world economy).¹⁰

While the preference for multi-lateral agreements is preferred, the success of these negotiations are often fraught with challenges due to needs to have multiple countries, with many economic interests, to agree on a common text. The magnitude of this goal is commendable, but also ambitious. Based on this difficulty to get multiple nations to agree, it is still recommended that the Government of Canada continue to pursue bi-lateral FTAs with a variety of key trading partners.

Conclusion

The benefits of FTAs for the growth of the national and provincial economy are clear. To this end, the federal government must continue to work with Canada's international partners to establish new agreements that allow businesses to enter new markets in order to continue growing.

This also means it is vital that the federal and provincial governments do more to promote future and existing FTAs to ensure Canadian businesses, especially small and medium-sized businesses, are aware of how they can take advantage of the economic opportunities that current and future agreements provide. Many small and medium-sized enterprises do not have the resources within their businesses to promote

6 <http://international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/understanding-comprendre/brief-bref.aspx?lang=eng>

7 <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/index.aspx?lang=eng>

8 http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/korea-coree/index.aspx?lang=eng&utm_source=dfatd-maecd&utm_medium=dfatd-maecd&utm_campaign=ckfta-alecc

9 <http://asiafoundation.org/in-asia/2015/01/07/as-driver-of-world-economic-growth-asias-vulnerabilities-emerge/>

10 <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/tpp-tp/101.aspx?lang=eng>

their products and/or services overseas. Or if they do, they don't tend to look beyond the U.S. because they don't know how or where to start when it comes to promoting their business to the international market, especially Asia-Pacific markets that have different laws and customs.

THE CHAMBER RECOMMENDS

That the Federal and Provincial Governments:

1. Increase resources to expedite Canada's role in negotiations and ratification of the multilateral Trans Pacific Partnership (TPP) agreement;
2. Negotiate and ratify further bilateral trade agreements with key trading partners from the Pacific Gateway region; and
3. Enhance trade promotion strategies that support businesses ability to take full economic advantage of all current and future trade agreements by, but not limited to;
 - a. Providing a single window to access trade promotion services;
 - b. Creating a forward planning committee with the private sector to better coordinate delegations under a Canadian and provincial banner; and
 - c. Ensuring the Trade Commissioner Service and the federal government has the resources to maintain its capacity to provide timely, effective services to its private sector and government client in Canada and abroad and to address non-tariff barriers in international markets.

ENSURING SUFFICIENT TIME IS PROVIDED FOR PIPELINE PROJECTS TO SUCCESSFULLY MEET CONDITIONS (2016)

On May 6, 2016, the Northern Gateway Project filed a request with the National Energy Board (NEB) to extend the sunset clause on their Certificate of Public Convenience and Necessity until December 31, 2019.¹

Since 2002, Enbridge has been leading the development of the Northern Gateway Project (the “Project”) with the support of potential Canadian and international shippers. The Project consists of two pipelines extending from an initiating pump station near Bruderheim, AB to a Kitimat, BC terminal. One pipeline is a 36-inch diameter oil export pipeline, with an average throughput of 525,000 barrels per day flowing west from Bruderheim, ending in Kitimat. The second pipeline proposes 193,000 barrels per day of condensate flowing east from Kitimat to Bruderheim.²

In June 2014, the Project received a federal Order in Council granting the Project a certificate for the construction and operation of the Project subject to 209 conditions. The second of these conditions is a sunset clause which requires construction of the Project to commence prior to December 31, 2016. Earlier this month, the Project filed a request with the National Energy Board to extend the sunset until December 31, 2019. The request cited “delay in obtaining approvals from other regulators; judicial challenges to required approvals; and changes in market conditions affecting commercial arrangements.” as reasons for the delay and that the additional time will also be used to build stronger partnerships with First Nation and Metis communities.

Wright Mansell Research was retained to provide an independent assessment of the benefits of the Project from a Canadian public interest perspective.³ Their report concluded that the project would result in Canadian oil producers’ revenues increasing by \$2.39 billion in the first full year of operations and growing to over \$4.47 billion by 2025.

Further, Wright Mansell Research’s report concluded that over a 30-year operating period, Canadian gross domestic product (GDP) would increase by \$270 billion. Over the same 30-year period, labour income would be a projected \$48 billion, a result of an additional 558,000 person years of employment. Federal and provincial governments would be positioned to collect an additional \$81 billion in revenue.

From 2010 to 2013, the Project underwent the most comprehensive review in Canadian history.⁴ The Joint Review Panel, tasked with reviewing the project, concluded: “we are of the view that...the Enbridge Northern Gateway Project, constructed and operated in full compliance with the conditions we required, is in the Canadian public interest. We find that Canadians will be better off with this project than without

1 <https://docs.neb-one.gc.ca/ll-eng/llisapi.dll?func=ll&objId=2955233&objAction=browse>

2 Volume 1: Overview and General Information, ENBRIDGE NORTHERN GATEWAY PROJECT, Sec. 52 Application - National Energy Board Act (NEB Act), May 2010, Part 1: https://docs.neb-one.gc.ca/ll-eng/llisapi.dll/fetch/2000/90464/90552/384192/620327/624798/619886/B1-2_-_Vol_1_%E2%80%93_Gateway_Application_%E2%80%93_Overview_and_General_Information_%28Part_1_of_2%29_-_A1S9X5.pdf?nodeid=619887&vernum=-2

3 Volume 2: Economics, Commercial and Financing, ENBRIDGE NORTHERN GATEWAY PROJECT, Sec. 52 Application **Page 1-13 and 1-14**, https://docs.neb-one.gc.ca/ll-eng/llisapi.dll/fetch/2000/90464/90552/384192/620327/624798/619886/B1-4_-_Vol_2_%E2%80%93_Gateway_Application_%E2%80%93_Economics%2C_Commercial_and_Financing_%28Part_1_of_1%29_-_A1S9X7_.pdf?nodeid=619772&vernum=-2

4 <http://gatewaypanel.review-examen.gc.ca/clf-nsi/hm-eng.html>

it.”⁵

In order for Northern Gateway to get it right, they should be afforded the extra time needed to thoroughly complete conditions. The company needs to respond thoughtfully and fully to concerns, to develop the Project responsibly in the best interest of all stakeholders involved, and to consider the long-term health and success of our communities, environment and economy. The project, deemed to be so beneficial to Canada, should be given reasonable preparation time to meet its conditions.

There are other cases of pipeline projects needing additional time to meet provincially and federally set conditions. Imperial Oil Resources Ventures Limited - Mackenzie Gas Project – submitted a Request for Extension to their December 2015 sunset clause in August of 2015. The National Energy Board granted a short extension (until September 2016) in order to give themselves a year to consider the actual extension request.⁶

For various and legitimate reasons, parties engaged in the review and development of large scale infrastructure projects require additional time to ensure thoughtful and well-informed decision making and actions. As evidenced by the National Energy Board’s internal extension to consider the Mackenzie Gas sunset clause extension application, equally, the same consideration should be provided to pipeline companies to ensure continued responsible development of such critical Canadian infrastructure and satisfaction of important regulatory conditions.

THE CHAMBER RECOMMENDS

That the Federal and Provincial Governments support a process that ensures Northern Gateway and any other pipeline projects approved by NEB, CEAA and/or BC environmental processes are allowed meet federal and provincial conditions provided they continue to make reasonable investments to achieve project success.

SUPPORTING CANADA’S RESPONSIBLE RESOURCE DEVELOPMENT (2016)

B.C. and Canada’s resource development projects, and associated infrastructure, are an economic enabler for its economy, allowing value added sectors to develop, create jobs, and compete.

Safe, well-regulated and responsible natural resource development is one of the defining features of the British Columbia economy. The wealth created by natural resources enables B.C. to serve as a net contributor to Canada’s national economy in support of vital services such as health care and education.

B.C. also contributes to Canada’s natural resource prosperity through its historic role as the nation’s transportation link to the Asia Pacific region. Producers of oil, coal, lumber, copper and grains rely on B.C. ports to connect them with Asia Pacific. Infrastructure investments such as the South Fraser Perimeter Road reflect the province’s recognition of the importance of Pacific Gateway.

If British Columbians and other Canadians are to prosper in the decades ahead, however, the province

⁵ On Page 72 of the report - *Connections: Report of the Joint Review Panel for the Enbridge Northern Gateway Project*

<http://gatewaypanel.review-examen.gc.ca/clf-nsi/dcmnt/rcmndtnsrprt/rcmndtnsrprtvlm1-eng.pdf>

⁶ https://docs.neb-one.gc.ca/ll-eng/llisapi.dll/fetch/2000/90464/90550/338535/338661/2855874/2856226/A73820-1_Letter_to_Imperial_Oil_-_Request_for_an_Extension_of_the_Sunset_Clauses_-_A4V2I4.pdf?nodeid=2856139&vernum=-2

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should also take steps to support private sector investments in responsible resource development and transportation.

An example of the risk to our ability to efficiently prosper from our natural resource sector is the controversy around Northern Gateway Pipeline and Trans Mountain Expansion Projects. The Trans Mountain project is a timely, shovel-ready opportunity to show international investors B.C. is open to multi-billion-dollar business investments that satisfy Canadian's high expectations for environmental sensitivity, regulatory compliance and safe, responsible operation.

Despite this, the public debate threatens to overtake the regulatory process. Criticism of any project should be part of a healthy review process. But much of the criticism of both Northern Gateway and Trans Mountain Expansion Project is driven by a conviction that the project should not proceed regardless of the proponent's ability to meet regulatory requirements for responsible development.

The original Trans Mountain Pipeline has been in operation for more than 60 years. Trans Mountain proposes to nearly triple the capacity of its existing 1,150-kilometre oil transmission pipeline between Edmonton and Burnaby and expanded shipping capacity at its Westridge Marine Terminal in Burrard Inlet.

A \$6.8 billion private sector investment, the expansion project it creates thousands of jobs for both the short and long term, and provides billions of dollars in new revenue for all levels of government. Small business operators, individuals and communities are among those who will gain from this project.

B.C. would gain the equivalent of 9,500 jobs per year for 20 years. In communities along the proposed pipeline corridor, annual property tax payments to at least 20 local governments and 24 Aboriginal communities would more than double to \$52.4 million from \$25.9 million per year. There would be 1,100 jobs created through expanded Westridge operations, and an additional \$2.5 billion injected into the Metro Vancouver economy over 20 years.

Trans Mountain Expansion Project is one of many resource-related infrastructure projects that create tremendous opportunity, prosperity and job opportunities for British Columbians in both the short and long terms.

In addition to an estimated \$81 billion in tax revenues and a \$270 billion in national GDP uplift over 30 years, construction of the Northern Gateway Pipelines project will benefit communities throughout the country. In total, the project will generate 558,000 person years of employment yielding \$48 billion in labour income and will provide \$28 billion of value to industry in the first 10 years alone. Over 1,177 km of pipeline with pump stations, and the marine terminal, will provide 1,400 person years of direct construction employment in Alberta and 4,100 person years in B.C. Including indirect and induced employment, a total of 62,000 person years across Canada will boost labour income by \$4.3 billion.

The \$8.3 billion Site C hydroelectric project in northeast B.C. creates 10,000 person years of direct construction jobs and 33,000 person years of total employment over nine years — and provides a legacy of low-cost electricity production for more than 100 years.

The \$1.3 billion KGHM Ajax Mining copper-gold project near Kamloops could provide 1,800 jobs in a 2.5-year construction phase, 500 full-time positions, \$500 million in estimated tax revenue and \$60 million in annual payroll.

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Liquefied natural gas plants under active consideration in B.C. are generational opportunities that add wealth, lower taxes and thereby make it more affordable for B.C. families to live in high-priced regions such as Metro Vancouver.

A decision on the \$40 billion LNG Canada project in Kitimat could be announced in 2016. The first phase of Pacific NorthWest LNG, an \$11 billion commitment, could also come this year.

Close to Metro Vancouver, the \$1.8 billion Woodfibre LNG plant would create 650-plus jobs during construction and 100 full time jobs during operations. It would pay \$83.7 million in tax revenue to all levels of government during construction and \$86 million a year during operations.

Meanwhile, the forest industry remains a mainstay of the provincial economy and the principal economic driver for 40 per cent of the communities in which it operates. B.C. is the largest producer of softwood lumber in Canada and North America's largest producer of bioenergy. It annually contributes \$13 billion to provincial GDP, supports 146,000 direct jobs and each year sends \$2.5 billion in revenue to all three levels of government.

Among proposed resource projects, Trans Mountain is a leader — it could be shovel-ready before year's end if the federal government elects to let it proceed. The Chamber is very supportive of the project and believes that the Trans Mountain initiative is of national importance with the potential to significantly expand market access for the good of all Canada.

Western Canadian oil producers will not thrive without greater access to global markets. Their only export customers at present are in the United States Midwest, where a supply glut has pushed the market price for Canadian oil below its potential value to refiners in other markets.

For Canada, there is no better time to allow the private sector to take the initiative as a long-term creator of jobs and government revenue. Each additional dollar earned on the sale of a barrel of Canadian oil keeps people working and brings more tax dollars for government with no additional investment of public money.

Regulatory review of resource and infrastructure projects addresses a broad range of environmental, health and safety, socio-economic, community, and Aboriginal issues to ensure that the concerns of all interested stakeholders are taken into account. Potential environmental effects of a proposed project are identified and evaluated, providing the opportunity for the proposed project to be modified, if appropriate, before detailed design and construction starts.

Through the regulatory review process, potential projects are endorsed, modified or rejected depending upon whether significant adverse effects, following planned mitigation measures, are predicted.

The Chamber believes that it is critical that B.C. maintains its reputation as a jurisdiction open to investment and take actions that sustain and expand the ability of the Pacific Gateway to generate prosperity for B.C. and Canada.

Inefficient and unpredictable processes are turning away potential investors and prevent businesses from being able to make informed location and logistic decisions. For example, the World Economic Forum has cited "inefficient government bureaucracy" as one of the biggest impediments to improving Canada's economic competitiveness.

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The Chamber welcomes changes to improve the efficiency of the regulatory review process for major infrastructure projects — whether it’s a pipeline expansion, an LNG export facility or a new mine.

We encourage all levels of government to continue to build on these improvements to ensure that Canada develops a world-class regulatory system that effectively supports economic competitiveness while protecting Canadians and the environment. This system must remain stable and consistent.

THE CHAMBER RECOMMENDS

That the Federal Government works with the Provincial Government to promote western access for natural resource products. The Federal Government should:

1. Work with the Provincial Government to identify opportunities, training, education, joint ventures, etc., that would ensure First Nations communities can fully participate and benefit from all natural resource development opportunities;
2. Take a more proactive role in communicating facts about the provincially and federally regulated pipeline industry as well as B.C. and Canada’s safety record for shipping heavy oil;
3. Continue to support establishment of a world-class marine tanker safety regime with enhanced marine spill response capability, and a world-class terrestrial safety system;
4. Engage Chambers and other organizations in project pipeline construction communities to maximize opportunities for local businesses during construction and operation of all major projects, including increased opportunities for First Nations participation;
5. Encourage greater clarity and specificity on B.C.’s provincial interest, commonly known as the “five conditions,” in order to provide certainty, predictability, and stability that encourage capital investment; and
6. Confirm that a proposed heavy oil pipeline meeting B.C.’s five conditions has the full support and confidence of the provincial government, and should proceed.

FAIR COMPETITION AMONGST SUSTAINABLE FOREST MANAGEMENT CERTIFICATION STANDARDS WITHIN GREEN BUILDING RATING SYSTEMS BASED ON RESPONSIBLE AND TRANSPARENT GREEN BUILDING PRINCIPLES AND CRITERIA (2014)

Preamble

Governments and the private sector are increasingly integrating economic, environmental and social sustainability into their operations, economies and communities. The Canadian government can play a central role in Canada and internationally by demonstrating leadership in environmental and social sustainability.

Canada’s economy is dependent on its natural resources, with resource-based economies contributing a significant proportion of the gross domestic product (GDP). Within our national economy, the GDP of the Canadian forest products industry is approximately \$24 billion – more than motor vehicles, aerospace,

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chemical, mining, and rail transport. The forest and paper sector provides Canadians and the world with superior forest and paper products made of wood fibre sourced from responsibly-managed forests; in doing so, the industry's business sustainability initiatives promote clean air, clean water, and the conservation of forest ecosystems, community health and jobs. Consequently, promoting markets for products sourced from responsibly-managed forests in Canada will help conserve forests, protect jobs, and strengthen local communities. While only 10% of the world's forests are independently certified to be managed sustainably, three quarters of Canada's managed forest lands are third-party certified to one or more of the following credible, globally recognized forest certification standards: the Sustainable Forestry Initiative (SFI), Canadian Standards Association (CSA), and the Forest Stewardship Council (FSC).

Issue

As a significant builder and manager of infrastructure, the government are in a position to ensure that wood used in construction and maintenance of their building portfolio contributes to the economic, environmental and social well-being of Canadian communities. In striving to meet sustainability goals, many governments have embraced the use of green building rating systems. Many are using the U.S. Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) rating system for new construction and major renovations. While LEED has made tremendous positive contributions by promoting green building design and energy efficiency, LEED excludes two of the forest certification programs in Canada – SFI and CSA – recognizing only FSC.

At the root of this issue, the U.S. Green Building Council's system, franchised in Canada by the Canada Green Building Council, has excluded the SFI and CSA Standard certifications from their rating systems.⁷ USGBC's latest language awards points for the use of wood that is certified as "Forest Stewardship Council or USGBC approved equivalent;" however USGBC has no process or criteria to determine equivalency, and thus only wood certified to the FSC standard qualifies.

As a result:

- Approximately two thirds of the forests in Canada that are certified to credible, third-party forest certification standards are not eligible for points under the LEED system; and,
- The various forest certification standards are unable to compete on responsible and transparent green building principles and criteria.

This resolution will promote fair competition amongst all credible, third-party forest certification systems on the very criteria that the USGBC LEED and other green building rating systems wish to promote, and that such a fair and transparent basis for competition will result in increased environmental and social performance within the marketplace.

There are several credible alternatives to LEED, including: Green Globes, the ANSI/GBI 01-2010: Green Building Assessment Protocol for Commercial Buildings (built on Green Globes), and the ANSI/ICC 700-2008: National Green Building Standard for Residential Construction – all of which recognize the benefits of wood sourced from responsibly-managed forests, with inclusive policies which give equal credit to all three independent forest certification standards used in Canada -- SFI, CSA and FSC -- and incorporate science-based methodologies that report measureable and comparable environmental impacts of building materials.

⁷ The Canada Green Building Council, when seeking to franchise the USGBC LEED system, had recommended including other systems for use in Canada, but was refused by USGBC.

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Using taxpayer dollars to pay for buildings that are “green” promotes sustainable development and reduces the economic and environmental costs of the building over its lifespan; however, using systems that excludes more than two thirds of the certified forests in Canada has the unintended consequence of sending the wrong message to architects, developers, specifiers and Canada’s forest-based resource communities that Canadian forests are not sustainably managed. Consequently, the federal government and its agents should use green building rating tools that recognize Canada’s natural resources in green buildings by giving credit to all credible, third-party forest certification standards.

Action by government supporting an inclusive approach to all credible, third-party forest certification standards will help to conserve forests, jobs, and strengthen local communities throughout Canada. Similarly, the use of green building rating systems that also promote an inclusive approach based on the achievement of responsible and transparent green building principles and criteria will help ensure that the government does not use green building rating systems that unfairly discriminate against forest certification standards and against wood products originating or manufactured in Canada. Such an action will help promote markets for home-grown products from responsibly managed forests, conserve those forests, protect jobs, and enhance the viability of Canada’s resource-based communities.

The Chamber believes there is a pressing need for action. Several factors have combined to present a unique opportunity to address this issue. These are:

- approximately three-quarters of Canada’s productive forest lands are certified to one or more of the third-party forest certification standards and Canada recognizes the value of forest certification as a tool to promote well managed forests and supports all of the third-party forest certification standards in use in Canada, including the SFI, CSA and FSC;
- the use of green building rating systems in new construction or renovations has the potential to improve energy efficiency, reduce waste, and deliver long-term cost benefits in buildings;
- the Competition Bureau of Canada in its document *Environmental Claims: A Guide for Industry and Advertisers* encourages consumers and businesses to look for forest products “that were certified to a sustainable forest management standard;” and
- the Canadian Council of Forest Ministers has issued a statement on forest certification standards in Canada, noting: “The forest management standards of the Canadian Standards Association (CSA), the Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative (SFI) are all used in Canada. Governments in Canada accept that these standards demonstrate, and promote the sustainability of forest management practices in Canada;” and, Whereas, Public Works and Government Services Canada requires all wood products used in its building projects to be certified to SFI, FSC or CSA.

THE CHAMBER RECOMMENDS

That the Federal Government:

1. Continue to support the use of green building principles and criteria in the construction of new federal buildings, renovations, additions or such projects funded by the federal government in whole or in part;
2. Continue to embrace and promote an inclusive approach to all credible, rigorous, third-party sustainable forest management certification standards used in the construction of new federal buildings, renovations, additions or such projects funded by the federal government in whole or in part; and

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3. Promote fair competition by engaging the green building rating organizations that do not have an inclusive approach to sustainable forest management certification to evaluate all credible, third-party forest certification standards – including the SFI, CSA and FSC standards- against responsible and transparent green building principles and criteria, with the results of such evaluations publicly available.

BORDER PACT: BEYOND THE BORDER ACTION PLAN (2015)

Trade between Canada and the United States is more than \$2 billion in goods and services and sees approximately 300,000 people crossing the border each day. The international trade between our two countries represents a tremendous mutual economic benefit that has grown substantially since the passage of the North American Free Trade Agreement. The Beyond the Border Action Plan of 2011, endorsed by Prime Minister Harper and U.S. President Obama, is intended to reduce trade barriers at the border through harmonization of the regulatory processes, increased mobility and reduced delays while at the same time increasing efficiencies under a series of enhanced security measures.

Harmonization of the regulatory process is intended to improve and streamline the flow of traffic and trade. This process will continue to find better ways to facilitate trade, boost economic growth and enhance job create on both sides of the border. To date, the Beyond the Border initiative has proven successful whether it's the CBSA/CBP "Checked once, cleared twice" pilot project that was located in Prince Rupert or the more recent pre-clearance announcement for people crossing the border by all modes of transportation.

While progress has been made on many fronts, a number of issues still need to be addressed in order to realize the full economic benefits of a truly fluid border. A brief outline of which is provided hereunder:

Administrative guidance and training:

The efficiency of the border can be enhanced by the administrative guidance and the training our border officers receive. This is why both countries have committed to provide enhance administrative guidance and training to their officers in an effort to achieve the optimal consistency at all ports of entry. While both governments have review and updated various manuals, the enhanced operational manuals on business travel issues are not yet available to the public.

At the same time a NAFTA Guide for TN and L applicants issued in 2012, have 3 memorandums and one muster that were created in 2013, but have yet to be received.

Specialized maintenance and repair personnel:

With the amount of trade between Canada and U.S., our respective countries have many situations where specialized equipment, whether it's in manufacturing, mining, or other sectors of the economy, is sold and/or leased across the border. These kind of sales usually require specialized maintenance and repair, which is why both countries have committed to implementing policies that will facilitate the movement of specialized personnel to repair industrial machinery and other critical operation systems.

While Canada has moved to allow temporary worker entry to make emergency repairs and the U.S. has provided guidance to CBA officers that supervising or training by Canadian worker may be appropriate, clarification on measures to facilitate the movement of specialized personnel to perform maintenance and repairs of industrial machinery and critical operational systems is needed.

After-lease servicing:

In the 2013 Beyond the Border progress report, Canada and U.S. explained both countries are expeditiously pursuing changes to the existing rules for entry of business visitors providing after-leasing service based on a designated contractual agreement so that it's applied in an equal fashion as to those people who provide after-sales services in the respective countries.

Progress to date, in Canada, has seen temporary entry for business travelers is permitted for both after-sales services and after-leasing services under section 5.2 of the Temporary Foreign Workers guidelines. The U.S. CBA has clarified the entry process for business travelers providing after-sales and after-leasing (or during-leasing in the U.S.) services, but only by a designated contractual agreement.

With respect to provisions for applying equal application of after-lease service as per designated contractual agreements, any further update on progress and copies of any and all guidance documentation will be helpful to ensure this action continues to be implemented in a timely fashion.

NEXUS client profile:

NEXUS is an enrollment-based system in which applicants are pre-screened to determine what risk, if any, they pose when crossing the border. Upon approval, low-risk applicants are issued a NEXUS card which allows them access to the faster NEXUS lanes at land border crossings and NEXUS lines at airports security checkpoints. The NEXUS system, which provides the ability to separate low-risk from high-risk travelers thus providing predictable and timely border crossing for those low risk travelers, continue to grow in popularity. Recently, the Canadian government announced its 1 millionth NEXUS card holder.

While both countries have committed to further enhancements, especially to the NEXUS client profile, future provisions should include a retreat from the NEXUS zero tolerance enrolment policy on minor violations similar to that which is available under the FAST program.

Also, establishment of an appeals process by the U.S. similar to Canada on NEXUS denials and revocations would be appropriate from a due process point of view.

Advance adjudication process:

With respect to the provisions for Business Travelers, the U.S. government should be applauded for the new CBP guideline that allows first time TN applicants to advance process their applications at a USCIS service center. Along this same line, it is suggested that U.S. Consulates in Canada are also the appropriate authority to undertake similar processing for this category.

Redress/recourse mechanism

With respect to redress and recourse for business travelers whose applications are denied, the CBP needs uniform speedy mechanisms for wrongfully denied business entry based upon misadjudication of requests to enter the U.S. for business purposes or misadjudication of petitions for Intracompany Transferee or Business Professional status.

While the Chamber was party to a successful challenge of the Expedited Removal process, there is still a need for mechanisms to address Canadian business travels placed into Expedited Removal proceedings at the border. DRS regulations mandate Canadian non-immigrants to be exempt from the Expedited Removal process which leads to questions why this process is being used against them at all. This process creates a chilling effect on cross-border business and has led to groups calling on Congress to institute reforms. Administrative remedies should be devised for any abuses of the process.

Pre-clearance of passenger by Canada Border Services and U.S. Customs & Border Officers

The provisions within the Beyond the Border Action Plan dealing with pre-clearance for train passengers have yet to be fully implemented. The one inspection in Vancouver, B.C. and a secondary inspection at the U.S. border needs to be combined so as to improve the Amtrak service.

In March 2015, A Pre-Clearance Agreement between the United States and Canada outlines specific intent to achieve goals outlined in the Beyond the Border Declaration, however, this undertaking requires each country to enact legislation for it to be implemented. Concerns over granting of extra-territorial jurisdiction represent sovereignty and other technical issues that present political and legal challenges as to when, if and under what conditions these objectives can be expedited to accomplish the objectives. The U.S. are challenged by the Civilian Extraterritorial Jurisdiction Act, one barrier of which precludes U.S. legal authority to hold their own U.S. officials accountable or prosecute them if they commit crimes while stationed in Canada. Any and all prior U.S. attempts to address extra-territorial jurisdiction matters has never been successful, largely due to controversial political impediments. Thus, from both a timetable and/or successful conclusion, renewed U.S. activity in this direction remains questionable.

Conclusion

These, and other examples, have been the subject of negative publicity and can be cause for concern, doubt and confusion which has led to loss of public confidence. The foregoing corrective undertakings are expected to provide beneficial changes within our border programs that will serve to create an increased level of public confidence and acceptability with the view that enhanced greater participation will lead to improved mobility and reduced congestion while advancing the cause of international trade and travel.

THE CHAMBER RECOMMENDS

That the Federal Government, in conjunction with their United States counterparts:

1. Address the current existing inequities between regulatory and interpretative aspects of Canada / U.S. border impediments, as demonstrates in the combination of options for consideration and the urging of action with specific suggestions outlined in the preamble. These inequities negatively impact the legitimate flow of people, goods and services across the Canada / U.S. border for which action is advocated in conjunction with implementing improvements under the new Beyond the Border Action Plan; and
2. Implement improvements in cross-border transactions to support the principle that people, goods and services are deserving of equitable treatment irrespective of whether the transactions are southbound or northbound across our mutual international borders.

CANADA BORDER SERVICES AGENCY - CUSTOMS & IMMIGRATION PROGRAMS (2015)

Issue

There are inequities in the provision and cost of Canadian border services at airports across the country. The Canada Border Services Agency (CBSA) considers airport operators to be the sole beneficiaries of Customs Services rather than the public at large and, therefore, subject to cost recovery.

Background

As a result of the strict implementation of the Treasury Board Cost Recovery and Charging Policy of 1997, which was subsequently replaced by the External Charging Policy in August, 2003, border services were “frozen” at existing levels. Any requests subsequent to that policy are treated on a direct cost recovery basis or not provided at all. This was further exacerbated by requirements following 9/11, which put additional operational pressures and financial strain on the CBSA budget.

The CBSA has worked with other stakeholders, such as Amtrak, to provide service for passengers entering Canada. It is this kind of flexibility in CBSA’s approach to other requests for increased levels of service that would be helpful, instead of treating every application from airports as strictly a cost recovery issue. Smaller airports are being unfairly penalized by this policy since service levels are not adjusted to reflect current demand. Where airports are obliged to contract with CBSA for additional scheduled service, they either lose a large portion of the benefit from the new trans-border and international traffic, or must increase aeronautical fees to cover the cost. Carriers and passengers both suffer from this inequitable treatment as the costs are passed on to users and the ability to attract new service for the community suffers.

The economic benefits resulting from increased international air traffic can far outweigh the cost of providing Customs services. Direct tax benefits to the federal government alone should justify the additional cost. Where the benefits of this service extend beyond a single user or supplier can be demonstrated, through pre-determined criteria, the system should adjust to accommodate the need for this service without additional cost to the airport operator. Existing services should be reviewed and more appropriately allocated to meet demand.

As an example, the Kamloops airport is listed as an AOE (30) Airport of Entry. Custom services are offered Monday to Friday 08:30am to 4:30pm. Aircraft can arrive directly in Kamloops during those times and CBSA officers are on hand to attend to the aircraft and facilitate arrival to Canada. After hours, cross border aircraft (with 30 passengers or less) are diverted to other points of entry. More often than not, the pilot is cleared by telephone in an alternate entry point and directed to proceed onto Kamloops for landing.

Under the current agreement with CBSA, the Kamloops Airport Authority has the responsibility to collect the custom fees from the passengers, often at a later date. Because the fees are not posted on the CBSA website, up to 30% of inbound passengers refuse to pay and the Kamloops Airport is forced to take a loss. CBSA agreement should allow airports to recover the cost for the airline operator in a transparent, efficient manner and not from arriving passengers during or after arrival. Ironically the CBSA does provide after-hours customs service in Kamloops for aircraft with animals or insects on board.

THE CHAMBER RECOMMENDS

That the Federal Government work with the Provincial Government to:

PUBLIC SAFETY

1. Move immediately to remove the discriminatory cost recovery mechanism for Customs and Immigration services and provide these services on the same basis as they are provided in other areas of the country and at the same cost to Canadians;
2. Where new or expanded services are required in any region of Canada, the provision of such services should meet a legitimate business case;
3. Add an on-call service component to all airports designated as an Airport of Entry;
4. Post all its fee schedules, including on call services, on its website; and
5. Revise contract agreements with Airports to allow the proper billing to the plane operator in order to recover all the costs related to on-call services or other services supplied by CBSA for the user.

COLLECTION OF DUTY AND TAXES AT THE CANADA-U.S. BORDER (2015)

Cross-border shopping in the United States was an estimated \$4.7 billion in 2006. Since then, annual increases have taken the total to \$8.0 billion in 2012, 72% higher than 2006¹. The impact on B.C. retailers, particularly in border towns, is costing the economy billions of dollars which could be minimized if duties were enforced at the border.

Approximately three-quarters of Canadians live within 160 kilometres of the Canada-U.S. border. Therefore, many consumers use their relatively easy access to the United States as a shopping option. This is especially true in the Lower Mainland area of British Columbia. A study conducted by the Business Council of BC indicated same-day trips to the U.S. increased by more than 143 percent in B.C. between 2009 and 2012. Under the laws, there are no personal exemptions permitted for same day cross border shoppers. Assuming 95% of day-trippers return with a full tank of gas, at an average of \$70, and \$80 worth of goods, there is a significant impact on B.C.'s economy due to lost profits and tax collections (GST, PST, gas taxes, etc.).

The federal government has clearly acknowledged that day trips should not be exempted from taxes, as stated by Jim Flaherty "*Our government has no plans to create an exemption for day trips under 24 hours as it would disadvantage retailers in border communities and elsewhere in Canada,*", but Border Services Officers continue to routinely waive taxes and duties on goods bought by travellers in the U.S. According to a briefing note for the Prime Minister prepared in June 2014, the border agency waives taxes when the value is below a certain threshold. The threshold was established by considering the cost for CBSA to process a traveller through the collection process². Collections may also be waived where the volume in collections results in unacceptable border processing delays, as determined by local management.

A consistent pattern of non-collection of taxes and duties at the Canada-U.S. border creates a further incentive for residents to choose cross border shopping. This puts Canadian retailers at an unfair disadvantage and results in a significant economic loss to border communities.

THE CHAMBER RECOMMENDS

¹ Stats Canada Study: Cross-border Shopping 2004 to 2012

² according to the briefing note obtained by the Canadian Press under the Freedom to Information Act

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That the Federal Government provides sufficient resources to enable consistent collection of taxes and duties at all Canada-U.S. border crossings in accordance with enacted duty-free limits.

CANADA'S SMALL AIRPORTS AND ACCESS TO ACAP FUNDING (2016)

In 1994, the Canadian government created the Airport Capital Assistance Program (ACAP), as part of the National Airports Policy (NAP), to provide essential funding to Canada's 200 regional/local airports for safety improvements. The program is a valuable tool to the nation's eligible airports, however, ACAP's program and funding structures have not been kept up to date to meet the demands of the industry as well as inflation rates over the past 20 years.

The ACAP is administered by Transport Canada and there are three categories of priority for funding. They are¹:

1st Priority: Safety related airside projects such as rehabilitating runways, taxiways and aprons, the associated lighting, visual aids, sand storage sheds, utilities to service eligible items, site preparation costs, including direct environmental costs, aircraft firefighting equipment required by regulation and the equipment shelters required by regulation;

2nd Priority: Heavy airside mobile equipment and safety-related items such as runway snow-blowers, runway plows, runway sweepers, spreaders, winter friction testing devices and heavy airside mobile equipment shelters; and

3rd Priority: Air terminal building/groundside safety related items such as sprinkler systems, asbestos removal and barrier free access.

To be eligible for ACAP funding, airports must be within the following guidelines:

- Not owned or operated by the federal government;
- Meet certification requirements as outlined in Aerodrome Standards and Recommended Practices (TP 312); Part III, Subpart 2, Airports; and
- Offer year-round regularly scheduled commercial passenger service, meaning that in each of the three most recent calendar years the airport handled at least 1,000 year-round regularly scheduled commercial passengers as reflected in Statistics Canada's official passenger statistics. If the airport is not part of these statistics, it must complete a statutory declaration.

The ACAP provides approximately \$38 million per year towards airport essential safety projects.² The program was reviewed and it was announced in 2011 that it is expected to hold the funding to \$38 million. This amount has held steady since 1995, but the cost of doing business has increased considerably over that period with increases in inflation and security requirements imposed after 2001. Transport Canada has stated that the program has not been utilized to the fullest by the airports that are eligible to receive funding while airports state that the application can be onerous, with the consultation portion taking so long that many projects, some Priority 2 but most Priority 3, are pushed off into the future. This consultation program between airport operators and ACAP administrators also vets many projects before they are submitted meaning that Transport Canada is not receiving a full list of the capital funding needs of small airports. The process of decision making within ACAP also remains a closed governmental procedure. There is little to no transparency to this process, which would provide valuable information to airports on deadlines, timelines, and notification of application receipt.

¹ [The Types of Projects ACAP Funds. \(2010\). Retrieved March 4, 2016, from https://www.tc.gc.ca/eng/programs/airports-acap-types-projects-funds-325.htm](https://www.tc.gc.ca/eng/programs/airports-acap-types-projects-funds-325.htm)

² [Evaluation of the Airports Capital Assistance Program \(ACAP\). \(March 2015\) Retrieved March 5, 2016, from https://www.tc.gc.ca/eng/corporate-services/des-reports-1267.html#toc2](https://www.tc.gc.ca/eng/corporate-services/des-reports-1267.html#toc2)

The National Airport System (NAS) is a sustainable system for the airports in the program. There are six that do not qualify for funding as they are located on federal land even though they fall under the ACAP requirement of less than 525,000 passengers annually. These six airports, Prince George, London, St. John's, Charlottetown, Fredericton and Gander, as NAS airports must also pay rent to the government. In addition, since they are located on Crown land, the expectation is that Crown assets should not be in competition for funding. These six airports have been deemed essential by the NAP but are experiencing difficulties paying for all of the capital requirements necessary for airports in Canada, for property, buildings and infrastructure that the Crown maintains ownership of. These capital requirements also include emergency vehicles and proper aprons for aircrafts, safety requirements as per Transport Canada. If an airport is not able to supply the proper level of safety equipment that is mandatory, they must notify Transport Canada of their inability to do so and this limits the airports ability to respond to emergency situations. As of March 2016, the six smaller airports require just over \$9 million dollars in safety and emergency equipment upgrades alone.³

Transport Canada also acknowledges the situation that the six airports are facing and has also concluded that the financial burdens that they are facing are not going away, with some of them reaching the critical point on runway and equipment replacement. Requests for funding for capital improvements to the six airports have been submitted in 2012, 2013 and 2014, , totaling approximately \$7 million dollars per airport, per year, and have been denied by Transport Canada on the basis that funding is not available for them as they are on Crown land, however, Transport Canada staff have also completed a number of assessments on the six airports and have come to the conclusion that they are in need of some form of capital funding assistance as they are not financially sustainable without it.⁴ The combined total upgrade costs required for all six of the unfunded airports, as of March 2016, is approximately \$146.1 million.⁵ While the airports believe that the expectation that Crown assets should not receive federal funds is reasonable, they are not, as proven, able to sustain themselves as required by their NAS status and will have even greater challenges maintaining and improving their infrastructure and security requirements in the coming years.

The Airport Capital Assistance Program is vital to all small airports across Canada. Airport associations across the country, including the Canadian Airports Council, Conseil des aéroports du Québec, Regional Community Airports of Canada, Atlantic Airports Council and the Airport Management Council of Ontario are also joining together to advocate for changes to the ACAP. After over 20 years, the program is in need of revision and improvement to reflect the changes in inflation and regulation so that it can remain a viable source for the nation's small airports.

THE CHAMBER RECOMMENDS

That the Federal Government:

1. Increase ACAP funding to account for inflation and increased project costs;
2. Streamline communications and make the application process more timely and transparent so that airports can complete the process in a reasonable timeframe and be able to follow the progress of the application; and

³ [Canadian Airports Council](#)

⁴ [Evaluation of the Airports Capital Assistance Program \(ACAP\). \(March 2015\) Retrieved March 5, 2016, from https://www.tc.gc.ca/eng/corporate-services/des-reports-1267.html#toc2](#)

⁵ [Canadian Airports Council](#)

3. Revise the ACAP requirements to include the six small NAS airports that are currently excluded due to their status so that they may fulfill their obligations as NAS airports without financial hardship that may cause the loss of the airports themselves.

ENHANCING CANADA'S AIR TRAVEL COMPETITIVENESS (2016)

Air travel is a crucial economic enabler connecting businesses with opportunities around the globe and across the country. It links visitors with tourism operators and helps international students pursue educational opportunities. It is a major job creator with strong spin-offs. It facilitates the movement of people and capital, and ensures that Canadian products, especially high-value and/or time sensitive (i.e. perishable) exports, get to market.

Canada's unique geography makes this an especially important issue. In a large country, with low population density, and regional economic diversity, air travel serves as a vital link within a broader national transportation network that includes highways, rail, and sea ways. Canada's economy is very dependent on trade, thus making the facilitation of trade an important issue.

However, the high cost of air travel to, from, and within Canada is significantly hampering our global competitiveness, and stunting aviation as a key economic enabler. A lack of competition, barriers to facilitation, and high structural costs have driven up prices for customers, whom data shows, are increasingly sensitive to price. Canada's poor price performance in these areas is apparent and not only deters leisure travelers looking to visit Canada, but increases the cost of conducting both international and inter-provincial business, which directly impacts job growth.

Furthermore, as agreements such as Comprehensive Economic and Trade Agreement (CETA) with the European Union and the Trans Pacific Partnership (TPP) advance Canada's integration into world markets, it is essential that a country spanning three oceans positions its transportation sectors to take fully take advantage of new opportunities. Without access to affordable and reliable air travel, relationships are not made, business is not done, and the economy suffers.

The 2016 Canada Transportation Act review report, *Pathways: Connecting Canada's Transportation System to the World* (the CTA Review),¹ underscores the importance of transportation, and the long-term significance of developing a competitive air travel industry. Canada has slipped from 8th to 17th in global rankings for International Tourist Arrivals over the past 15 years, underlining the urgency to this issue.

In order to build the confidence of industry stakeholders, it is important to have an open and transparent Air Bilateral priority setting process to guide our single air negotiator. The process needs to be more inclusive of key industry stakeholders so that the limited resources get directed in an efficient way according to industry participants.

There are a number of factors influencing the current condition of Canada's air sector. Therefore, strategies aimed at enhancing the competitiveness of Canadian air travel and strengthening its economic enabling capabilities, must be multifaceted. Primarily, three key areas must be addressed in tandem: competition, facilitation, and costs.

¹ <http://www.tc.gc.ca/eng/ctareview2014/canada-transportation-act-review.html>

Competition

Greater competition, particularly for international travel, comes from liberalized bilateral air access agreements. In order for an aircraft to fly between two countries both governments must negotiate bilateral air transport agreements, regulating frequency, capacity, ownership, tariffs and other commercial aspects. Currently, there is an international trend toward more liberal aviation regimes known as ‘Open Skies’, where bilateral—or in some cases multilateral—agreements generally include unlimited capacity between, and beyond the countries involved, and market driven pricing regimes.²

The Canadian government has adopted a Blue Sky policy³ committed to liberalizing air access. Since 2006, of the country’s 85 Air Transportation Agreements, about half include more open international air policies. However, many current air access agreements still contain restrictions that significantly limit competition. Mutually beneficial agreements and the liberalization of air access provide an opportunity for increased competition for international travel to-and-from airports around the country. This offers consumers the benefit of greater choice and potentially lower prices.

The benefits of liberalizing Canada’s air policy would significantly improve economic opportunities throughout Canada by increasing connectivity of global business. Further liberalized air access agreements would open new international markets, allow more carriers to operate in Canada, and improve price competitiveness of Canada as a destination. It would provide foreign carriers with greater access to the Canadian market, creating jobs on the ground, and provide domestic carriers more opportunities abroad.

However, liberalized air access policies must be pursued in conjunction with domestic reforms which allow Canadian carriers and airports to compete in a more-open market. While greater competition will lead to more efficient, market-based outcomes. The process of liberalization should also be mindful of the strategic importance of the domestic industry. Therefore, Canada must also address barriers to facilitation and government imposed cost-structures.

Facilitation

Facilitation refers to the movement of people, cargo, and planes through an airport. It encompasses physical, legal, and technological procedures and systems. Enhancing facilitation at Canadian airports improves outcomes for airports, airlines, and customers.

Today, significant facilitation barriers are preventing Canadian airports from acting as more viable international hubs. Under-resourced and underequipped security procedures delay passengers and their belongings from entering and leaving airports. Strict visa screening requirements for transiting passengers, who have generally already been vetted by their destination country, prevents first-class airports such as YVR and Pearson from attracting more business. Much like road congestion, these delays and inefficiencies hinder the effectiveness of industry, and slow down the economy.

A robust facilitation strategy can push Canada toward becoming a global hub of passenger aviation traffic—growing volume, lowering costs and providing new opportunities for industry. The CTA review

² While the term *Open Skies* is sometimes used interchangeably with more *Liberalized Bilateral Agreements*, it is important to note that in many cases incremental steps may be taken to prove benefits to Canada. For example, *Open Skies* agreements may be ‘sun-setted’ after a period of trial, or they may transition to full *Open Skies* over a period of time. These steps would serve to protect the parties to the negotiated agreement from unintended consequences.

³ <https://www.tc.gc.ca/eng/policy/air-bluesky-menu-2989.htm>

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estimates transit facilitation benefits from easing transit visa requirements alone can increase airline volume by 25-50%.

Costs

Finally, reviewing and reducing government imposed taxes, fees and charges on passengers and the industry would further improve Canada’s ability to develop a more competitive air travel sector. Canadian air travelers face significantly higher fees and prices compared to their U.S. counterparts. This has historically driven some traveling in-and-out of Canada to use nearby U.S. airports such as Sea-Tac and Buffalo-Niagara International Airport; however, the trend has been tempered with the depreciation of the Canadian dollar relative to the USD.

Traveller surcharges have created an environment of “user-pay plus,” where travelers are charged more than the services they are provided. For example, fees such as the Air Travelers Security Charge are taken into general government revenue, rather than directly funding airport security procedures. In other jurisdictions, services such as security are seen as a public good and funded by the broad tax base. Just as highway policing is funded by the general public—as it serves a significant economic and social purpose—so should essential air travel services.

Government revenues from the air sector 2013-14 (M)			
Airport Rent	Air Travellers Security Charge	Fuel Tax	Total
\$294.4	\$661.9	\$97.2	\$1,053.5
Government investment in the air sector 2013-14 (M)			
Airport Capital Assistance Program	Canadian Air Transport Security Authority Budget	Subsidy for 18 TC-owned and operated airports	Total
\$29.8	\$559.1	\$38.2	\$627.1
Difference (M)			\$426.4

CTA Review (Appendix K, p. 142)

Furthermore, airports pay significant fees to by the governments in the form of ground rent. These costs inevitably trickle down to travelers, and raises prices. This is in stark contrast to the United States where the government subsidizes air terminals. While a subsidy may lead to a different sort of market distortion, Canadian air travel still requires a more level playing field which allows it to compete. High-cost structures lead to higher prices, and risk pushing travelers and revenue to other modes of transport, or to not travel at all.

Lastly, in addition to current restrictive bilateral agreements, facilitation, and cost structures, existing ownership limitations prevent foreign investment in the Canadian airline industry. This restriction prevents Canadian carriers from supporting their balance sheet through foreign investment, and makes it extremely difficult for new competitors to enter the market place.

THE CHAMBER RECOMMENDS

That the Federal Government works with the Provincial Government to:

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1. Pursue mutually beneficial liberalized air access agreements in all bilateral air passenger transport negotiations, and further liberalize existing bilateral air agreements, especially with Free Trade Partners:
 - a. Conduct periodic reviews of Blue Skies policies to ensure that bilateral access matches demand; and
 - b. Implement 2016 CTA review recommendation of required initial flight frequency with safe and secure partners with progression toward more liberalized air access agreements to provide market certainty; and
 - c. Adopt an open and transparent priority setting process, inclusive of key industry stakeholders, to determine top priorities as they relate to expanding Canadian bi-lateral air access agreements.
2. Facilitate the movement of passengers in, out, and through Canadian airports in order to position the Canadian air sector to better compete internationally by implementing the measures set out in Recommendation 6 of the CTA Review, notably:
 - a. Allowing transit without visa for citizens of all but those from a limited list of high-risk countries at all Canadian airports;
 - b. Harmonizing immigration and trusted traveller programs with the U.S. and other trusted jurisdictions; and
 - c. Streamlining visa processing for all visitors to Canada, including expanding the use of the Electronic Travel Authorization instead of visas for low risk travellers.
3. Develop a high level and overarching national aviation hub and travel strategy, to improve airports' cost competitiveness, and thereby enhance Canada's competitiveness, by:
 - a. Examining government imposed cost structures in the form of fees, taxes, airport rent and other charges and allowing airports to operate Arrivals Duty Free to enhance non-aeronautical revenues; and
 - b. Increasing funding, and expanding eligibility, for the Airports Capital Assistance Program in order to support safe and efficient local and regional airports and a healthy and connected national air system.
4. Overhaul the regulatory, financing and delivery models for airport security, as set out in CTA Review Recommendation 8, including:
 - a. Establishing a customer service mandate and performance standards comparable to competing jurisdictions; and
 - b. Ensuring the provision of stable and predictable funding that meets the needs of both increasing passenger volumes and evolving security risks.
5. Increase foreign ownership investment limit for Canadian passenger carriers to 49 per cent on a bilateral basis, with an initial emphasis on the European Union.

SUPPORTING CANADA'S AIR TRAVEL INDUSTRY THROUGH LOWER FEES (2016)

Domestic air travel within Canada is significantly more expensive than domestic air travel across the United States. The high cost of Canadian domestic air travel makes it inaccessible to some Canadians and limits Canada's ability to grow the tourism industry and to operate multi-city Canadian businesses. Due to the competitiveness of air travel prices in the U.S., many Canadians head south of the border to depart for

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flights meaning that Canadian airlines, airports and businesses lose possible revenue streams that could be otherwise redirected into the Canadian economy.

Domestic air travel in Canada is excessively expensive as a result of high federal fees and airport fees.

The taxes and fees for domestic air travel in Canada include:

- 5% - 15% GST / HST;
- \$7.12 Air Travellers Security Charge (ATSC) each way up to \$14.25; and
- \$5-\$30 in Airport Improvement fees (no limits).

A \$600 round trip flight within Canada could be subject to \$165 in taxes and fees (over 27% increase from the base fare).

For comparison, domestic air travel taxes and fees in the United States include:

- 7.5% US domestic transportation tax;
- \$3 domestic passenger federal flight segment tax; and
- Up to \$4.50 passenger facilities charges for airport improvements (up to 4 per journey and max. 2 per one-way trip).

A \$600 round trip flight within the U.S. would be subject to up to \$69 in taxes and fees (11.5% increase from the base fare).

Lower fees for U.S. domestic travel appeals to Canadians and as such they head south of the border for departures to international locations. An estimated 5 million Canadians crossed the border to fly out of the U.S. and avoid high Canadian aviation fees. Many of the large airports in small U.S. towns bordering Canada have a significant number of Canadian customers. Canadian travellers re-routing through the U.S. causes Canada to lose both revenue and jobs that could be retained or created if domestic air travel within Canada were more accessible and affordable.

A March 2015 report by CTC Research “Canada Millennial Domestic Travel Summary Report” states that millennial travel accounted for 20% of total global travel in 2010 and is forecasted to reach about 300 million trips per year by 2020. Millennial Canadians are generally keen on travelling within Canada. Nine out of ten young Canadians are very or somewhat interested in visiting a Canadian destination beyond their home province in the next few years. British Columbia holds the greatest appeal to young Canadians, followed by Ontario, Quebec and Alberta. However, millennial travellers are cost-conscious as a large share of the millennial segment is composed of full-time students or recent graduates, and budget constraints appear to be a significant factor in the choice of the travel destination. As this is a growing segment of the population and one that values travel as part of their life experience, reducing costs for domestic air travel within Canada could increase tourism revenue for this population segment.

The Canadian economy is shifting away from reliance on the oil and gas industry and moving towards technology. While, the oil and gas industries required more travel to remote destinations, technology companies in Canada require travel to other Canadian cities. Technology entrepreneurs should be encouraged to grow businesses within Canada to penetrate and stimulate the Canadian economy. This means opening offices in various cities across the country. The current cost of domestic air travel discourages growth of companies within Canada as it is too expensive to frequently travel between Canadian destinations. This drives Canadian businesses to open offices within the U.S. as the cost to

travel to these offices is reduced. Although Canadian business penetrating the U.S. market can be a positive thing, many Canadian businesses are acquired by U.S. companies once parts of their operations move south of the border. Reducing the cost of air travel within Canada could help to stimulate small business growth across the country and allow successful acquisitions within Canada.

Conclusion

Canadian air passengers pay some of the highest government taxes, fees and charges in the world.¹ In exchange, they expect to receive value for their investment and support. The reality is, these fees and taxes have continued to increase over the last few years, contributing to the general revenue fund for the federal government rather than being specifically reinvested back into Canada's airport authorities, airline industry and its related infrastructure as it was in previous years (see Appendix A and see the Canadian Airports Council submission to the CTA Review).

An efficient, cost-effective transportation network is a key part of a prosperous nation. Canada's reliance on the U.S. transportation network diverts revenue and jobs that could stay within Canada. The high cost of Canadian domestic air travel deters Millennials (a large and interested group of travellers) from travelling within Canada and generating further domestic tourism revenue. The lack of affordable domestic air travel in Canada harms the growth of Canadian small business, particularly in the technology sector by expanding growth into the U.S. instead of across Canada.

It is believed that the taxes generated by additional economic activity, the creation/retention of Canadian jobs in the airline and tourism industries, and the increase in success of Canadian small business would more than make up for any losses in collection of the current federal fee structure.

THE CHAMBER RECOMMENDS

That the Federal Government considers reducing and/or subsidizing the current fees for domestic air travel.

APPENDIX A

ATSC = Air Travellers Security Charge

CATSA = Canadian Air Transportation Security Authority

Year	ATSC2	Total Gov't Funding for CATSA3	Difference
2007-2008	\$385,713,000	\$482,634,000	(\$96,921,000)
2008-2009	\$386,461,000	\$476,472,000	(\$90,011,000)
2009-2010	\$374,468,000	\$580,000,000	(\$205,532)
2010-2011	\$600,078,000	\$598,400,000	\$1,678,000
2011-2012	\$631,003,000	\$584,400,000	\$46,603,000
2012-2013	\$635,600,000	\$549,940,000	\$85,660,000
2013-2014	\$661,948,000	\$538,892,000	\$123,056,000
2014-2015	\$695,702,000	\$597,971,000	\$97,731,000

¹ <http://www.parl.gc.ca/Content/SEN/Committee/411/trcm/rep/rep05jun12-e.pdf> and <https://www.fraserinstitute.org/article/europe%E2%80%99s-airfares-bargain-compared-canada>

² Public Accounts of Canada

³ CATSA Annual Reports

2014 TRUCKING DISRUPTION – PORT METRO VANCOUVER (2014)

The operations within marine terminals at Port Metro Vancouver have resumed and are in a recovery mode following a 28-day withdrawal of services by non-union truckers and a subsequent strike called by Unifor-VCTA owner-operators during the later period of the truckers' dislocation to port operations. This dislocation follows a similar 47-day work stoppage in 2005 pertaining to drayage compensation and escalating fuel prices, which was exacerbated by price undercutting practices by some drayage carriers and terminal delays being encountered to handle container traffic at the port.

The most recent dislocation held up cargo with an economic value in the order of \$750 to \$885 million per week and thus negatively impacted the regional, provincial and national economy by approximately \$3.5 billion. The provincial government, along with assistance from the federal government and Port Metro Vancouver brokered a sidebar deal with UTA and Unifor without input from the trucking sector or other stakeholders to get the trucking entities and port operations functioning again under a Joint Action Plan, which includes the involvement of Mr. Vince Ready, federally appointed facilitator.

The results of the above dislocation have seriously damaged the reputation of Port Metro Vancouver, as the 4th largest port in all of North America handling more than half of containers that go through Canadian Ports¹. Some 2,825,475 TEU's (twenty foot equivalents) were handled during 2013 according to PMV statistics². Approximately 4500 ILWU longshore personnel are employed in local port operations. The ILWU are working under an unprecedented 8 year negotiated contract intended to provide labour stability in the Gateway which has been disrupted, yet again, by this most recent 28-day work stoppage by truckers.

Port Metro Vancouver is the landlord of the port's federally-owned land. It does not operate the container terminals, it does not contract with shippers, it does not employ truckers, nor does it have any jurisdiction to intervene in any way with negotiations between truckers, their employers and government. Coming out of the 2005 resolution, the port introduced the Truck Licensing System (TLS), which has become one of the mechanisms that caused Port Metro Vancouver to be an involved party. Furthermore, in December 2011, Port Metro Vancouver launched a stakeholder engagement process to develop a broadly supported, long-term vision for the container trucking sector that would enhance the Port's global position as a sustainable and competitive supply chain leader. In February 2013, Port Metro Vancouver announced its Smart Fleet trucking strategy, a three-year action plan to achieve excellence in the local container trucking sector. Smart Fleet is a plan that is guiding the work with industry and government to drive performance, accountability, sustainability and transparency within the container drayage supply chain.

The introduction of a Reservation system wherein the trucking industry is required to secure a reservation to pick-up or to delivery laden or empty containers is currently considered to be seriously flawed. The system is unable to provide sufficient and timely reservations with any reasonable degree of reliability. It frequently impedes the flow of container traffic and is adversely affecting Vancouver's reputation as a Gateway for container trade to and from global markets.

There are numerous issues facing the drayage sector including the conflicting employment and contractual arrangements between drayage carriers with various of unions and non-union truckers. Some truckers are employees of drayage firms and are paid on an hourly basis and others are dependent

¹ Shipping in Canada 2008, *Statistics Canada*

² Port Metro Vancouver Website, Facts and Stats

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operators paid on a per trip basis, which results in various levels of earnings and compensation depending on the port turn time achieved for trucks. Over the years, despite set rates for non-unionized, independent container truckers, there has been systemic undercutting of those rates by as much as 50%. Marine terminal service levels have also exacerbated the situation.

The most recent withdrawal of services was achieved by a small core of owner-operators intimidating and harassing drivers who would have otherwise preferred to work. Unfortunately, for the most part this illegal activity was not subject to police enforcement. This is not to suggest that the trucking industry does not have valid issue deserving of addressing – which is acknowledged by all parties.

The fact that, for the most part, the withdrawal of port services was perpetrated by non-unionized owner-operators who only represent a portion of the container truckers and the support by 1 union (Unifor) representing 12 companies created extreme challenges. The task in dealing with a multitude of individual competing trucking firms and independent operators can be onerous for Vince Ready to make recommendations to the assorted parties being trucking firms, trucking owner operators, terminal operators and Port Metro Vancouver as well as the provincial and federal governments. Understandable concern within the industry questions whether this latest round of concessions merely represents a “Band-Aid” solution which may not lead to long-term stability and be subject to repeat performances of labour strife.

This latest disruption in handling container traffic has been devastating to both shippers and importers. For smaller companies, the ability to divert traffic to other ports has been extremely limited, costly and in some cases prohibitive. Shippers and importers have been held hostage to this strife and severely penalized with storage charges for substantially inaccessible cargo in terminals because drivers were being threatened and their employer/contractor trucking companies chose not to subject them to harm. Storage charges of several hundreds of dollars per day have resulted in the closure of a number of small businesses.

The severity of the damage caused by the 47-day work stoppage by truckers in 2005, coupled with the 28-day stoppage in 2014, prompts Industry to have grave concerns as to whether this latest round of appeasement merely represents a “Band-Aid” remedy instead of a permanent solution. Will exporters and importers be subject to continuing repeat performances of labour strife of this nature in the not too distant future?

Following the 2005 trucking disruption, the Federal Task Force review produced certain recommendations that have not been implemented. This latest trucking disruption will serve to justify inquiry into referenced Report, review and update subsequent developments with a view to developing long range solutions with potential regulatory requirements.

Therefore, it is submitted that these issues are deserving of careful examination to better determine long term solutions.

THE CHAMBER RECOMMENDS

That the Federal and Provincial Governments:

1. Institute an official inquiry into the intricacies of the convoluted employment of union and non-union truckers under conflicting conditions;

2. Examine the legal ramifications of such employment under prevailing legislation and/or regulations within both provincial and federal laws;
3. Explore “best practices” of trucking employment in other comparable port jurisdictions recognized for stable trucking employment to determine how they manage the relationship; and
4. Include industry representation throughout the process in order to provide the necessary context and help ensure the resulting recommendations are practical and will achieve long-term stability.

RAIL SERVICE AND CAPACITY ISSUES IN B.C. (2014)

The transportation of export commodities by rail to and from B.C.’s communities is crucial to the economy of B.C. and western Canada. From potash in Saskatchewan to pulse crops in Alberta or mining & natural gas products in B.C., the movement of Canada’s many resources are dependent of reliable, adequate rail service. The Chamber supports the enactment and enforcement of provisions which will improve such rail service.

The Canada Transportation Act (CTA) currently states “A rate or condition of service established under this division must be fair and reasonable to all parties” and under section 113 the following applies for level of service from railways:

- 1) *A railway company shall, according to its powers, in respect of a railway owned or operated by it,*
 - a) *furnish, at the point of origin, at the point of junction of the railway with another railway, and at all points of stopping established for that purpose, adequate and suitable accommodation for the receiving and loading of all traffic offered for carriage on the railway;*
 - b) *furnish adequate and suitable accommodation for the carriage, unloading and delivering of the traffic;*
 - c) *without delay, and with due care and diligence, receive, carry and deliver the traffic;*
 - d) *furnish and use all proper appliances, accommodation and means necessary for receiving, loading, carrying, unloading and delivering the traffic; and*
 - e) *furnish any other service incidental to transportation that is customary or usual in connection with the business of a railway company.*

Across the western provinces and in British Columbia, particularly Northern British Columbia rail service has been steadily declining compared to the level of service demanded by shippers. In the Prairies, 2013 was a record harvest for grain that is shipped around the world. Grain farmers, however, have not been able to access adequate rail service to get their crops to market.

In B.C., Fort Nelson, in the last year, has seen service decrease from 3 trains per week to 2 per week from Fort St John and in town services decrease from 5 days to 2 serviced only when trains come in. That is a decrease of 3 staff to 0. The railway expectation is that train crews will make required switches while there, however, this leaves customers unable to access their product due to crew time off requirements and during days when there is no crew available. When the train arrives crews go on their rest period and then once they leave again there is no service. The biggest single issue is full cars sitting on railway property, even when CN does run extra trains into Fort Nelson; businesses cannot access their own product.

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In addition, there is no certainty over delivery schedules as the railway frequently bumps shipments and changes the delivery date. There is no accountability for delivery and according to the railway they have never had a late shipment as it always arrives on the date stated in their system. Two Fort Nelson companies experienced over 300 lost days in slightly more than a 6-month period. With the uncertainty in rail deliveries more companies are relying on trucking, resulting in a significant increase in traffic, decrease in road conditions and an increase in environmental impacts. (It takes two b-trains of fuel to equal one rail car.)

In Section 114 the Transportation Act goes on to require:

- 1) *A railway company shall, according to its powers, afford to all persons and other companies all adequate and suitable accommodation for receiving, carrying and delivering traffic on and from its railway, for the transfer of traffic between its railway and other railways and for the return of rolling stock.*
- 2) *For the purposes of subsection (1), adequate and suitable accommodation includes reasonable facilities for the receiving, carriage and delivery by the company*
 - a) *at the request of any other company, of through traffic and, in the case of goods shipped by carload, of the car with the goods shipped in it, to and from the railway of the other company, at a through rate; and*
 - b) *at the request of any person interested in through traffic, of such traffic at through rates.*
- 3) *Every railway company that has or operates a railway forming part of a continuous line of railway with or that intersects any other railway, or that has any terminus, station or wharf near to any terminus, station or wharf of another railway, shall afford all reasonable facilities for delivering to that other railway, or for receiving from or carrying by its railway, all the traffic arriving by that other railway without any unreasonable delay, so that*
 - a) *no obstruction is offered to the public desirous of using those railways as a continuous line of communication; and*
 - b) *all reasonable accommodation, by means of the railways of those companies, is at all times afforded to the public for that purpose.*

Beyond our agricultural and mineral resources that find their way to B.C. ports from across the country, the anticipated increase in LNG production in British Columbia also requires reliable & accountable rail service. Unreliable rail system performance has increased operating costs and acts as a disincentive to future investments. In addition, reliable rail service is critical to remote and end of line communities that not only rely on the rail themselves but also serve as a continuing point for moving essential products such as fuel and gas industry requirements further north and into other more isolated areas such as the Horn River and Liard Basins, Yukon and Northwest Territories. Businesses are highly dependent on products arriving “on time” to ensure B.C. is seen as a dependable supplier to customers and export markets.

The railways are public entities of strategic national importance and operate to maximize profit for their shareholders. They must also serve the national interest by providing reliable cost-effective service to shippers. Increased throughput and reliability of service will improve the capacity of businesses throughout British Columbia. The movement of product by rail is cost-effective and environmentally sustainable.

THE CHAMBER RECOMMENDS

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That the Federal and Provincial Governments work to:

1. Require railways to disclose records & history of all scheduled delivery dates including all changes to dates, as permitted under section 50 of the CTA, to more accurately reflect actual service delivery performance; and
2. Strengthen sections 140 to 146 of the act to require railways to ensure and demonstrate community input into railway actions resulting in service disruptions, closures or abandonments. Require railways to seek regulatory approval before making decisions to cut service to communities and provide affected parties with the ability to provide information as interveners.

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