

Submission to
**Select Standing Committee on Finance and
Government Services**

Prepared by
The Kelowna Chamber of Commerce

June 12, 2019



About the Kelowna Chamber of Commerce

The Kelowna Chamber of Commerce acts as a single powerful voice for our 1200 members and their 25,000 plus employees to promote local business interests. The Chamber provides a cohesive business network for our members to expand their business contacts, value-added benefits, programs, and services aimed at improving the bottom line of Chamber members' businesses. The Chamber's mission is to foster a positive business environment by providing our members with leadership, advocacy and services of value. The Chamber's Policy Advisory Committee, chaired by a Board Director, actions issues of key importance to members, including taxation, transportation, cannabis legislation, and employment and housing.

INTRODUCTION

We are pleased to participate in the Budget 2020 consultation and be invited to speak at this public hearing in Kelowna.

On behalf of all our members, we present the following points for consideration by the Committee.

Our most pressing issues revolve around the layering on of new taxes, and the cumulative impact of increased taxation and regulation at every level of government. BC is losing ground in its efforts to be competitive in the global marketplace.

In keeping with the Canadian Chamber's *Vote Prosperity* election outlook in 2019, the Kelowna Chamber supports the big issues that if not dealt with, cripple the ability of Canadian businesses to compete, grow, and innovate. While here in BC we are fortunate to operate within a Triple A credit rating, our economy faces many headwinds that are out of our control. Some of the solutions outlined by the Canadian Chamber which match those of Kelowna include:

- A regulatory system that works for everyone, including business
- A tax system that is fair, efficient and modern

Business is willing to pay its share of taxes. Small business is the engine of our economy, providing jobs, housing, and a better quality of life for our city's residents. Governments at all levels must do better in ensuring regulatory requirements and taxation do not limit our ability to compete and thrive in a global economy.

It took 15 years to build BC to its internationally envied level of competitiveness and diversified economy. That envied position can be torn down in a much shorter period of time, if we are not vigilant.

The following summarize our top issues as of June 2019.

ISSUES

1. Impact on business of multiple layered taxes

Local businesses in Kelowna and the Central Okanagan are concerned about the layering of new taxes by the current Government. Along with the BC Chamber of Commerce, we have identified 12 new and/or additional taxes introduced since the new Government took power in 2017.

Some of these taxes have greater impact than others on businesses: we hear most frequently about the Employer Health Tax.

We support health care for residents of our province. In imposing the EHT, the provincial government went against the preliminary advice of the MSP Task Force it struck in 2017. That task force suggested, in its

February 1, 2018 interim report, that the “MSP be eliminated as at a specific date and that the new revenue measures take effect fully at the same time.”

Now that employers are paying both MSP and the EHT, the burden is 1.5x as heavy. We recommend that the Province raise the employee wage threshold (\$500,000) for paying the Employer Health Tax, in order to avoid undue negative impacts.

Overall, we want our Province to retain its reputation for sound fiscal management. Key aspects of this reputation must be constraining growth in public spending, reducing our provincial debt burden and continuing to innovate in service delivery.

Further to this, the Chamber's goal is to create a tax system that attracts investment and encourages business growth. There should also be transparency between the Government and BC businesses.

The “School Tax” appears to be in fact a land tax.

The “Speculation Tax” appears to be in fact a vacancy tax on Canadians visiting or living part-time in BC, many of long standing. We advocate that this punitive, anti-Canadian tariff be completely scrapped, immediately.

Government must not assume business can pay increased levies without self-damage: cutting staff, cutting research, inhibiting growth and production.

We believe Government should ensure that our province does not go into debt to pay for new programs, nor lose its triple A credit rating, nor tax our small and medium-sized businesses into closure.

2. Transportation – Supporting Business in the Central Okanagan to the Border

Mega-projects in Greater Vancouver not only garner much attention from provincial government funders and planners, but also overwhelm awareness of needs in the Interior.

We urgently require provincial support for regional transportation planning and initiatives that will answer the needs of our growing communities and economies.

We live in a long mountain valley, with limited road and rail connections to outside markets: east to Alberta and the rest of Canada; south to collegial communities and the US; west to the Coast and Asian markets; and north to the Oilsands and northern communities.

A thin ribbon of highway makes most of these connections. One bridge; no flyovers; no tunnels; no bypasses; limited opportunity for both local and inter-city connectivity.

Our international airport is essential in keeping us connected, and increased airfreight is an important part of the business model for our city.

Locally, business people suffer from wasted time in traffic back-ups; broken connections in events such as floods, fires, or landslides; slow deliveries and increased consumption of fossil fuel wasted in idling time; lack of alternative routing.

A second bridge crossing of Okanagan Lake, a bypass of Highway 97, the completion of the Clement-Enterprise-Highway 33 connector, restructuring Highway 3 to improve safety (one of BC's "ten deadliest highways") – all should be on the table for consideration by government with planning and funding from the provincial Government and *meaningful local involvement from business*.

Kelowna is predicted to continue its rapid growth year over year into the foreseeable future, putting ever-increasing pressure on our transportation infrastructure.

Transportation is a significant economic driver for BC. The establishment of long-term integrated transportation strategies will be a determinant of our economic success. These plans must integrate the various modes and include investment plans guided by long-term strategic interests and economic growth and focus on the entire province.

Unfortunately, responsibility for transportation is highly fractured: all tiers of government retain some responsibility over the transportation system. Locally, we have seen a shift to greater support of foot and bicycle traffic. While admirable, this shift does not address transportation of goods.

Moving forward, all levels of government must recognize the absolute necessity of integrated long-term planning as opposed to a system that functions based on short-term plans and political expediency.

We must work together to accelerate the planning process, so that our Okanagan communities, regions beyond and the province as a whole develop integrated transportation plans that facilitate the efficient movement of goods and people into and out of, and through our City and region.

3. Trained Workforce – Labour Needs

As BC grapples with a skills shortage, the province's economic future hinges on attracting and training a workforce that can meet growing labour needs.

Locally, our tech industry continues to expand by 15% a year, every year since 2013, according to a study (September 2018) by the Central Okanagan Economic Development Commission.

The tech sector has contributed \$1.7 billion to the regional economy with nearly 700 businesses and more than 12,000 jobs in the last five years.

Our economic growth is dependent on the availability of a skilled workforce.

The Province must improve the reach and speed with which the PNP – Provincial Nominee Program – works to assist business, especially the burgeoning digital media sector. Better integration with federal immigration programs is also required.

As well, our local agriculture industry chronically needs to augment its workforce, assisted by the Temporary Foreign Workers program, again, integrating with federal programs.

Through partnerships with government, educators, business and trainers, our Chamber's goal is to ensure that our area has the workforce, both skilled and unskilled, that is needed to compete and win.

Training and education are key in developing programs to give business the ability to train workers. Government support and funding is required.

4. Reduce Red Tape – Let Business Get on with it

Red tape remains a significant burden for BC and Kelowna businesses – particularly small businesses.

The provincial government has made significant progress in reducing the number of provincial regulations, through working with BC-based chambers of commerce.

Despite these positive efforts, the regulatory burden in BC continues to be a challenge for business, and in particular, small business.

Too frequently, government at all levels makes regulations without considering the total cost to business of compliance. (The layered effect.)

The next evolution in regulatory reform must be to shift towards a cost-benefit analysis rather than a focus on a simple numeric reduction.

Of particular concern to Chamber members is the increasing regulatory burden being imposed by local and regional governments. The new STEP code being imposed on builders and developers is one example.

Governments at all levels must commit to meaningful consultation with each other, and with businesses, especially small and medium-sized businesses before adding new regulations, or significantly modifying existing ones.

Online application forms, reduced wait times, and getting out of the way of businesses are all steps responsive governments must take.

Our goal is to reduce – through working with government – the cumulative regulatory burden that adversely impacts our local competitiveness.

5. Interprovincial Trade – International Trade

BC must do a better job of opening up its provincial borders with the rest of Canada.

Disputes over single product imports *and* exports, such as beer, wine, spirits, oil, and other products must be solved, rather than seen as a dispute-based ‘winner take all’ exercise.

All provinces must settle their differences and quit barring interprovincial trade. The federal Government has appointed a Minister of Internal Trade reinforcing the importance of the portfolio for the country.

A provincial free trade deal already exists – the Canadian Free Trade Agreement – but the process lacks concrete timelines or a firm list of priorities.

Our Chamber authored a resolution, both provincially and federally in 2018, calling for the barriers to interprovincial trade to come down. Both were adopted and are affecting policy discussions in Ottawa.

Internationally, the needs are equally great.

As an export-driven economy, BC's prosperity hinges on its ability to trade openly in the global and Canadian markets.

For a small, open-trading economy like BC, prosperity depends on our ability to export our goods and services across the country and to countries around the globe, as well as to enjoy tariff-free imports from the US, China and the European Union. Diversification is a central tenet to BC's future economic success.

The Province needs to continue to work with BC-based chambers in order to strengthen BC's ties with current trade partners while aggressively diversifying its export base around the globe.

6. Housing Affordability – Healthy Communities

Communities across BC are facing increasing pressure to provide accessible and affordable housing for our residents. In Kelowna, housing affordability attracts numerous in-migrants from the Coast who have either “cashed out” and can more easily afford move-up housing in Kelowna, or, who cannot get a starter home or affordable rental in the lower Mainland, and have better opportunities in the Okanagan. It is an ongoing challenge to keep local housing costs and high standard rental housing within reach.

Robust employment and job growth are highly dependent upon affordable housing.

Impacting the issues of a healthy, housed community are two other factors: housing for and caring for homeless persons; and healthcare including management of the opioid crisis and street vagrancy.

As both business and community stakeholders, our Chamber is committed to helping build a healthy, vibrant city with a top-tier standard of living. In 2019 we published the [Kelowna Economic Scorecard 2019](#) which measures Kelowna against other mid-sized cities on a range of social and economic indicators. The Chamber is the lead sponsor of this report. The Chamber is also part of the local Journey Home strategic planning group, and we work with numerous stakeholders in the NGO and not-for-profit area to help ensure business is involved with governments to help enable a healthy community for residents.

Chambers of Commerce are integral parts of their communities. As both business and community stakeholders, all Chambers are committed to building a healthy community. As such, our local chamber policies tackle topics such as healthcare, education, and the justice system in addition to business-driven issues.

Our Chamber members are increasingly focused on ensuring that Kelowna's economic growth is achieved in balance with building a cohesive community. As a community-oriented business organization, we have a key role to play in these discussions. Government can support these initiatives by working more closely with our Chamber and the business community to ensure that all voices are heard, respected and acted on.

In focusing on the laudable goal of increasing non-market housing for those in need, the Province should also work with various stakeholders including the BC Chamber of Commerce network in addressing the need to create more attainable market housing. Cutting red tape, streamlining regulatory processes, and using incentives to encourage development are just a few ways the Province and other levels of government could make a big impact on this significant challenge. Two-way conversations are essential.

7. Protection of Fresh Water from Invasive Mussels

The Kelowna Chamber successfully tabled a Resolution at both the BC Chamber and the Canadian Chamber policy forums in 2015 and 2018. The Resolution calls for increased spending and focus from Provincial and Federal Governments on preventing zebra and quagga mussels from infesting bodies of fresh water in BC.

More remains to be done to prevent this threat which would have a major impact on tourism and quality of life in the Okanagan and negatively impact critical infrastructure.

The mussel defence program has been boosted several times. Permanent mussel inspection stations installed at major entry points along BC's borders with Alberta and the US must be augmented with mussel inspectors at all crossings and must be operated 24/7.

Quagga and zebra mussels pose a serious threat to BC's aquatic ecosystems, salmon populations, hydro power stations and other infrastructure facilities. They can clog pipes, cause ecological and economic damage, displace native aquatic plants and wildlife, degrade the environment and affect drinking water quality. Sadly, there are many examples of this irreversible damage across North America.

While both Federal and Provincial Governments, BC Hydro, FortisBC, Columbia Power and the Columbia Basin Trust have contributed millions to the program, more attention and spending is needed.

We call on the Provincial Government to ensure all border stations have trained personnel to intercept infested boats and water-based equipment, and to expand the monitoring for invasive mussel species, as well as increasing highway signage alerting the traveling boating public. Every border crossing, provincial and international, 24/7.

8. Speculation Tax

The Speculation Tax is one of the 12 new or augmented taxes introduced by the new provincial Government in the last two years.

We have spoken against this anti-Canadian tax on repeated occasions, calling for elimination of the tax; and for any future such tax initiative, we call for a full economic impact study before any implementation of new tax measures. Such a study would be carried out in consultation with residents of the province, of Canada, and with business and community leaders, as well as with local government.

The Speculation tax is ill-conceived, mis-named, punitive, and will not accomplish its stated goal, which is to provide housing affordability for British Columbians. We tabled a new policy on May 24 at the 2019 BC Chamber Policy AGM *"Better Together: The Power of the Crowd"*. This now-adopted policy calls for an immediate end to the speculation tax, and destruction of all documents submitted by residents.

Respectfully Submitted,
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Extracts from the Kelowna Chamber 2019-2020 Policy and Positions Paper

Eight Resolutions authored by the Kelowna Chamber of Commerce in 2019 were adopted at the 2019 BC Chamber Policy Session May 24 & 25, 2019 in Burnaby.

Policies adopted include:

Agriculture

1. Support a Prosperous, Sustainable and Innovative Tree Fruit Sector in BC
Policy recommends a long-term replant program to increase industry sustainability as well as a continuation of the School Fruit & Vegetable Nutritional program; also calls for a restart of negotiations of the Columbia River Treaty to improve irrigation issues for valley farmers.

Environment & Climate Change Strategy

2. Crush & Credit: Put Control of Recyclables Management into the hands of the Private Sector
Policy recommends reverse vending machines (RVMs) be added to the recycling tools to increase recycle levels, particularly in rural and First Nations sectors of BC; and that RVMs be available to the public outside the limits of the current Recycling Depots

Finance

3. Stop & Rewind: End the Speculation Tax Now
A follow-up Policy to 'Anti-Canadian Tariff – Pressing the Pause Button on BC's Proposed Speculation Tax (2018). It's broken; don't fix it, scrap it.

Municipal Affairs & Housing

4. Getting More Rental Housing onto the Market – Now
A simple policy that calls for a reduction in the CCA (Federal Capital Cost Allowance) plus lifting the GST burden to incentivize growth in the high-grade rental market for family-sized accommodation. This fits well into the Province's 30-point Housing Affordability Plan.

Transportation & Infrastructure

5. Accelerating Transportation Infrastructure to Serve One of the Fastest Growing Regional Economies in Canada
Policy aimed at speeding up substantive regional planning for the Okanagan corridor from north Shuswap through the US border in order to move goods and services more efficiently and effectively, including a call for a re-examination of the second crossing of Okanagan Lake.
6. When we Build it, they will Come: Why an Aerospace innovation Cluster Creates New Business for BC & Canada
Policy encourages developing, alongside post-secondary institutions such as UBC Okanagan and Okanagan College – and private businesses, such as Kelowna's KF Aerospace – and in keeping with Private Member Bill M-177 (Stephen Fuhr Okanagan Lake Country MP) a centre for pilot training (fixed wing & helicopter), AMEs (aircraft mechanical engineers), and aircraft rebuilding.

There is no centre of such training outside Ontario, Quebec, and the lower mainland and there is documented need and latent opportunity right here in the Okanagan.s

Public Safety

7. Share a Handshake: Move People & Cargo Across Borders & Reduce Redundant Paperwork

Recommends full government support of the “Beyond Preclearance” initiatives endorsed by multiple governments and business organizations on both sides of the Canada/US border. BC has three of the busiest airports in Canada (Kelowna #10); commonly has two-hour line ups at border truck crossings; and BC exports mining, wood, coal, propane, oil, LNG and mixed goods internationally.

Provincial Issues

8. Improving Primary Care & Saving Healthcare Dollars with Physician Extenders/Physician Assistants

This renewing policy from 2016 has been reactivated and updated. The need for broader access to medical care remains urgent and will reduce the impact of employee illness on business. Recommendation: recognize PEs/PAs in the MSP Billing Scheme at a lower rate than MDs to relieve burden on BC’s primary care physicians.

The BC Chamber Policy and Positions Manual contains informed opinions and policy statements adopted by members during the policy session at the Chamber's 67th Annual General Meeting held in Burnaby, BC May 24th & 25th, 2019.

The Chamber's policy statements are presented to the provincial and federal governments and are individually called to the attention of the Ministries responsible to make it possible for pending government legislation and regulations to reflect the individual opinion of provincial chamber members.

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

The 2019 Policy & Positions Manual is expected to be published by June 30, 2019.