WHEN BUSINESS NEEDS A CHAMP

2016-2017
POLICY & POSITIONS MANUAL

BC Chamber of Commerce
Know what's on BC's mind.

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 1952 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, BC, 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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TABLE OF CONTENTS

TABLE OF CONTENTS

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 does improve how the economy functions by providing certainty for the business community. Certainty is essential for decisions our businesses make when it comes to long-term investments. 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.

Harm 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 it's practical, governments should integrate and reduce regulatory requirements and streamline assessment and compliance processes (i.e. 'one project, one process').

POLICY PRINCIPLES

Taxation[1]

Business recognizes that government has a fundamental role to play in providing the infrastructure, both physical and social, 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, but when properly designed should minimize distortive impacts on business and the economy.

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

- **Low, yet adequate -** Just enough to generate the revenue required for provision of essential public services and avoid structural deficits.
- **Broad-Based -** Spread over the widest possible section of the population or sectors of economy 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 (i.e. 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 BC 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 British Columbians.

[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 British Columbians.
- **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 British Columbians getting value for their tax dollars?

BC Chamber of Commerce

Know what's on BC's mind.

POSITIONS

ON

SELECTED PROVINCIAL ISSUES

2016

CHILDREN AND FAMILY DEVELOPMENT

ADDRESSING CHILDCARE ACCESS FOR EMPLOYEES (2016)

Since the Province of BC published its Families First Agenda for BC in 2012, families and employers anticipated support for childcare access and affordability. Key findings in the report include the need to address fragmentation of BC'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 BC 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 BC as of 2012[2], 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, BC 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, BC'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 level[3], 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

- BC 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

1 2012, Province of BC The Families Agenda for British Columbia: Building a sustainable quality early years' strategy to support BC 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 BC's Young Children and Families a Priority.

- 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.

Parents in financial need can access BC'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 children[5], 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

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

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.

ENVIRONMENT AND CLIMATE CHANGE STRATEGY

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 BC 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 BC 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 BC and, at that time, BC 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 BC 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 BC 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]
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 BC 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 BC's communities may present an opportunity to address many of the issues that current BC energy policy seeks to accomplish, particularly as this option continues

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.

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 kW 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-BC, 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 BC'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 BC 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.

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 BC, 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 BC 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 BC 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 BC

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

The BC 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 BC

Summary

The Province of BC, in the future, may have significant potential for distributed micro-generation, with 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 BC, encouraging local innovation.

SUPPORTING BC'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 BC's total exports in 2015.

There is a long history of environmental responsibility in the mining and transportation of steelmaking coal internationally. BC'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 BC, 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 BC's export growth strategies and ensures critical upgrades are made to terminal facilities to improve and mitigate environmental and residential impacts.

ENVIRONMENT AND CLIMATE CHANGE STRATEGY

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 BC that are supported by the coal industry and reduce BC's global competitiveness.

It is important that BC protect the economic benefits of this sector by informing the general public and municipalities about BC'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 BC's steelmaking coal industry have access to international markets.

Background
In 2015, over 25 million tonnes of steelmaking coal was produced in British Columbia. BC has 12 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 BC 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*, BC'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 BC 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**.

BC'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. BC'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 BC'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 BC's small businesses through local procurement, through tax generation and the related economic spinoff.

SUPPORTING CANADA'S RESPONSIBLE RESOURCE DEVELOPMENT (2016)

BC 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 BC to serve as a net contributor to Canada's national economy in support of vital services such as health care and education.

BC 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 BC 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 BC 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.

BC 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 BC 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 BC creates 10,000 person years of direct construction jobs and 33,0000 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 BC are generational opportunities that add wealth, lower taxes and thereby make it more affordable for BC 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. BC 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.

ENVIRONMENT AND CLIMATE CHANGE STRATEGY

The Chamber believes that it is critical that BC 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 BC 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.

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 BC 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 BC’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 BC’s five conditions has the full support and confidence of the provincial government, and should proceed.

VALUE ADDED NATURAL GAS DEVELOPMENT FOR BC (2016)

Background
BC 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),[3] 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.[4]

Production from BC in 2014 was 1.575 TCF or 45 billion m3 with the reserves to production ration estimated at over 30 years.[5]

The natural gas reserves and the prospective potential resources in BC represent a very significant economic resource. Natural gas used to be exported east from BC and Alberta to markets in the north-eastern U.S. and south from BC 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, BC 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 BC, the proposed liquefied natural gas (LNG) industry is expected to become a major export outlet for BC 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 BC gas could be increasingly locked out from access to markets.

BC is a net importer of oil refined products (diesel, gasoline & jet fuel), primarily from Alberta refineries and BC has two refineries which produce approximately ½ of BC'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
BC's natural gas resources are used to serve residential, commercial and industrial purposes in BC, but these uses are small by comparison to the total BC reserves and prospective potential resource.

For economic development purposes, it would be useful if BC were able to develop alternative value-added uses for the BC natural gas resources in order to unlock the economic value of the resource for BC

3 BC Oil & Gas Commission, Hydrocarbon and By-product Reserves in BC 2014, Table 1, Page 4
4 BC Oil & Gas Commission, Hydrocarbon and By-product Reserves in BC 2012, Appendix B
5 BC Oil & Gas Commission, Hydrocarbon and By-product Reserves in BC 2014, Figure 5, Page 8

and for the benefit of the economy and communities in BC

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 BC

Monetizing the natural gas resource in BC should be a key priority for the BC 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 BC 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 (H_2). 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, CO_2 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 CO_2 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 owner by Shell and Sasol.

BC could locate such a natural gas value added plant in BC 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 BC 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 development expected in northeast BC

Government Assistance or Incentives

The government has a process for working with major project proposals in BC and is able to focus on providing assistance to parties contemplating developments in BC Typically, these processes may result in a project development agreement with the Government of BC 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 BC 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 BC 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 BC 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 BC 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 BC economy.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Support Value Added Development for BC's Natural Gas; and

2. Provide reasonable cost-effective benefits & incentives to help secure the economics of a GTL industry in BC

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.

ENVIRONMENT AND CLIMATE CHANGE STRATEGY

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 BC to the Government of Canada.

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

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1 See Annex for 2011 Proposed Boundaries

ENVIRONMENT AND CLIMATE CHANGE STRATEGY

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 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.

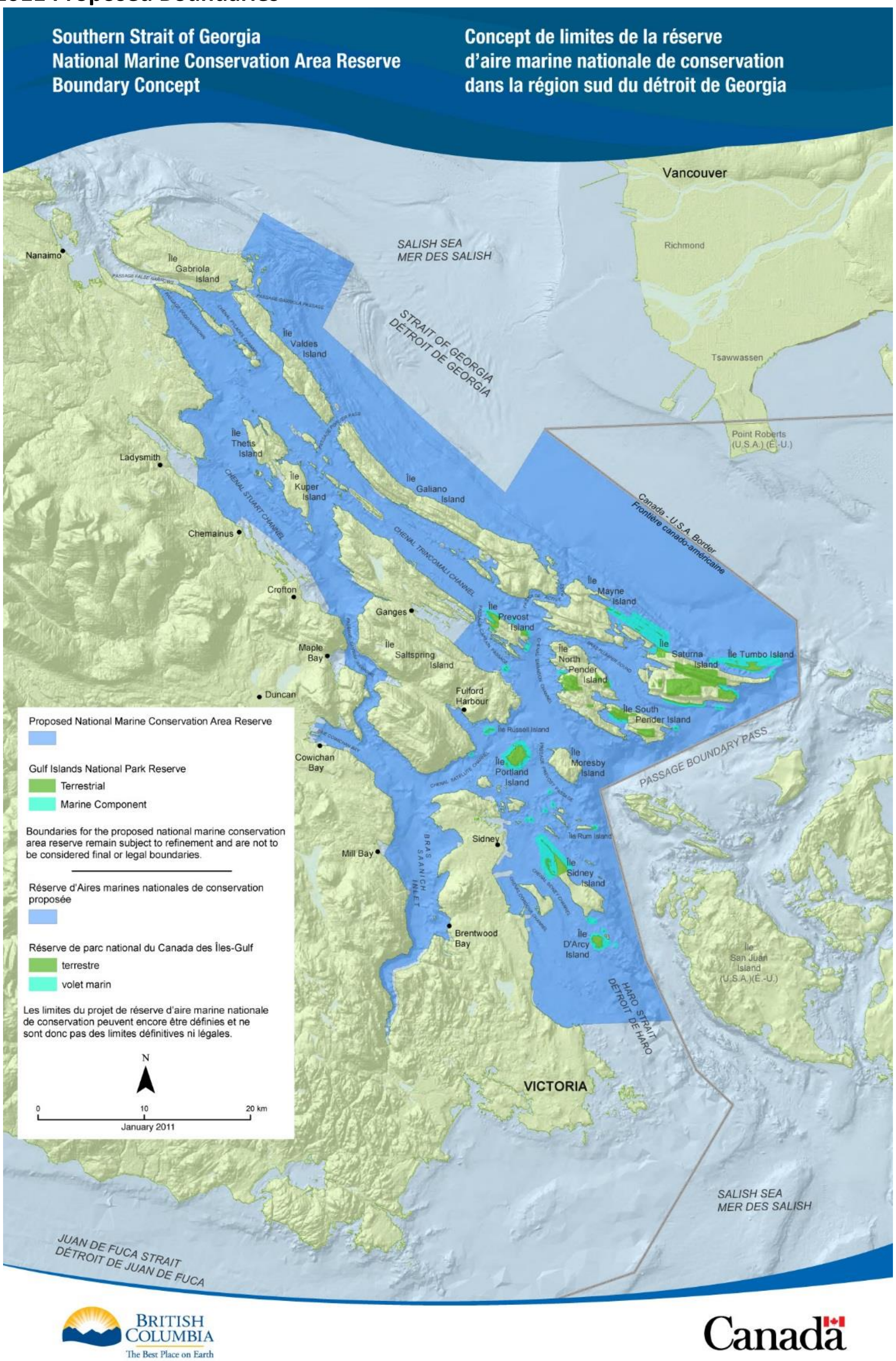
THE CHAMBER RECOMMENDS

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



REMEDIATION 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 BC 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 BC, 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 BC 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

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

each site.

Municipalities play an important role in remediation, even on private land with planning, proper zoning and incentives for developers. In some cases, 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 BC 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 BC 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.

ENVIRONMENT AND CLIMATE CHANGE STRATEGY

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.

CHANGING BC'S SALES TAX MODEL - MOVING BEYOND THE PST (2016)

BC'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 BC 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 - Small Financial	Nil	Nil	3.25 0.7	6 Nil	Nil	Nil	5 Nil	4 Nil	5 Nil	5 Nil
Sales tax[b]	7	Nil	5	8	8	9.975	10	10	10	10

a BC'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, BC 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 BC, Manitoba and Saskatchewan is paid on business inputs). BC's economic future will depend upon our ability to attract investment and new economic activity. If investment and new economic activity are the goal, BC's tax picture looks very different. To review BC's tax picture, as it relates to new investment, it is necessary to review BC's Marginal Effective Tax Rate (METR).[1]

Table 2 - METR Rates by Province 2012 & 2014[2]		
	2012	2014
BC	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
Newfoundland	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, BC 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 BC 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*

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.
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

taxation is less severe)."[3]

It must be noted, the METR calculations do not capture the full impact of the PST on BC 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 regard to BC's critical export industries. As a jurisdiction, BC 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 BC exporters ability to compete in other markets. The PST is a significant impediment in this regard.

As a small, open trading jurisdiction BC 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 BC 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 BC producers who struggle to remain competitive when building these costs into their price (HST also made BC producers more competitive against foreign competition when selling in domestic market for the same reason).

This is also an issue for BC'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 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 BC have not fared well against competing jurisdictions. Between 1997 and 2011 the output of BC's business sector was on average only 92% of Canada's.[4] From 1981 to 2007 non-residential business investment in BC 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 BC 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 BC's productivity performance is reason enough for government to find ways to boost investment

3 ibid, page 11
4 Stats Canada table 383-0011
5 Investment in BC: Current Realities and the Way Forwards, Centre for the Study of Living Standards

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, BC 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 BC 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 BC's reliance on small and medium sized businesses for our economic prosperity.

Further to this, BC'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 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 BC'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 businesses[8].

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 BC 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

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
8 ibid

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 BC'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 BC's METR. Indeed, the Expert Panel on Tax estimates that offering an Input Tax Credit on the acquisition of machinery and equipment would cut BC's METR to 19%, significantly improving BC 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.

While the return to the PST represented the largest tax increase on business in BC's history, representing an increase in cost of $1.5 billion, BC 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

9 Expert Panel on Tax Report, Table 7

10 The Panel does estimates that this would be offset by higher economic growth that would increase revenue by $12, $50 and $115 million in the period 2014-2017

3. Commit to a dialogue with British Columbians on the development of a made-in-BC Value Added Sales Tax system to enhance BC's competitiveness and productivity.

ENHANCING AGRICULTURE COMPETITIVENESS THROUGH EQUITABLE TAXATION (2016)

In BC, 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 year[1] and is anticipated to increase to $3.5 billion by 2018.[2] BC 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 BC 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, BC 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 BC One of the major contributing factors to BC'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.

With the return to the PST system, BC's agriculture industry longer receives exemptions or investment tax credits on the majority of goods and services used in farming and ranching. This puts BC'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 BC farmers' competitiveness.

Providing PST exemptions to farmers and ranchers would secure BC's standing as a competitive agricultural producer. The decreased production costs achieved through this tax exemption would enable BC 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 BC

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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
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

FINANCE

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 BC AND OUT-OF-PROVINCE CONTRACTORS WHEN BIDDING ON BC-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. Education, and sometimes enforcement, is needed to ensure out of province companies are aware and follow BC'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 BC companies to have a successful bid against theirs when comparing quotes based on dollars.

We recommend that the BC 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 BC's 1/3 tax formula (PST due = 1/3 x [(PST rate x depreciated purchase price) – BC tax previously paid] or paying equivalent BC premiums. PST in BC 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 BC 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

7 Source: BC Provincial Budget 2016

50% of the purchase price and the depreciate purchase price. Vehicles are depreciated in BC at the rate of 30% per year and equipment is depreciated at a rate of 20% year. If the equipment brought into BC is leased, then the person is required to pay PST based on the number of hours the equipment is in BC 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 BC, 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 BC

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 BC 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 BC, 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 BC 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 BC 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 meaning 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 BC is experiencing a housing bubble. Local citizens worry that soaring prices have pushed the dream of home ownership forever out of reach. Several partial studies[1] have attempted to determine the impact of foreign buyers on various segments of the BC 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 BC Budget 2016,[2] 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 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 BC 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

1 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
2 http://bcbudget.gov.bc.ca/2016/bfp/2016_budget_and_fiscal_plan.pdf#TaxMeasures

National Association of Realtors (NAR), the United States records and reports data on foreign property ownership through a public[3] 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 BC, 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 BC[4] 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)[5] which is filed electronically for every property transfer filed in the BC Land Title Office.[6] 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.[7] The Ministry of Finance is also responsible for auditing property transfer tax returns and investigating fraudulent exemption claims.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Ensure that citizenship and residency data collected through Ministry of Finance Property Transfer Tax Forms are recorded, analyzed and publicly 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.

3 http://www.realtor.org/topics/profile-of-international-home-buying-activity
4 Statement from IAN CB SMITH, Retired Director of Land Titles for the Province of BC
5 Sample PTT Form Version 26 (new)
6 http://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax
7 http://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax/understand/exemptions

SMALL BUSINESS BENEFITS FROM SIMPLIFYING THE MSP TAX SYSTEM (2016)

BC 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 BC 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 of 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 BC 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 BC 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 BC Budget document page 16, Table 1.8). MSP premiums are BC'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 BC, which is projected at $19.6 billion of the province's $48.1-billion budget.[4]

BC 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 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

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.

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 BC 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.

THE NEED FOR A RENEWED SOFTWOOD LUMBER AGREEMENT (2016)

The forest industry is one of BC's largest sectors that export into the United States and around the world. In 2013, BC 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 BC economy. Indeed, many BC communities rely heavily on the forest industry. The economic impact of the forest industry is also felt throughout BC 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 BC's, forestry industry received illegal government subsidies.

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 BC 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 BC lumber producers.

BC 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,

FORESTS, LANDS, NATURAL RESOURCE OPERATIONS

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, BC 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.

CREATION OF A STABLE AND PROSPEROUS FOREST INDUSTRY (2016)

Introduction
The BC forest industry, one of the historic cornerstones of our provincial economy, is facing a myriad of challenges at this time.

Background
BC'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 BC 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 BC or about one out of every 16 jobs. Forest industry manufacturing accounted for 24% of direct manufacturing jobs in BC with 40% of the regional economies being forest sector dependent.

Report
The BC 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.

FORESTS, LANDS, NATURAL RESOURCE OPERATIONS

The industry provides employment and economic opportunities, generates government revenue and is a growing economic contributor to First Nations communities throughout BC Since 2002, the Ministry of Forests, Lands and Natural Resource Operations has signed forest tenure agreements with 175 of the 203 First Nations in BC 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 BC'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 (BC 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 BC 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 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 BC, south to the U.S. where companies that flourished from the natural resources of BC 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 BC 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;

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; and

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 BC 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 BC 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 BC's regional economies are forest dependent – directly involved in harvesting and processing of forest products.

The BC 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 BC 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 BC 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.

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 BC 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 BC 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 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.
- BC'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 BC's forests. This accounted for 65% of Canada's wood pellet capacity and production.

The BC forest industry is the economic backbone of many BC communities. A vital part of BC's economy, it is increasingly more important in central and northern BC 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 BC 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:

FORESTS, LANDS, NATURAL RESOURCE OPERATIONS

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 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; and
    e. sell BCTS apportionment volumes consistently: BCTS is an important supplier of timber to BC'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; and

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 BC 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;
    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 regard 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; and
    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; and
    b. continue working co-operatively with industry and the Government of Canada to address tariff and non-tariff barriers to the global export of BC 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; and
    b. ensure other emerging markets for BC forest sector products are developed such as Malaysia and Vietnam.

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.

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 BC communities, including Vancouver, Victoria, Sooke, Lake Cowichan, Duncan, Ladysmith, and Nanaimo. Many tourists fly, boat, or drive into BC 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.

FORESTS, LANDS, NATURAL RESOURCE OPERATIONS

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.

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 the 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 BC 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 coming 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. 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.

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.

FORESTS, LANDS, NATURAL RESOURCE OPERATIONS

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 near 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
- 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 2015[1] 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.

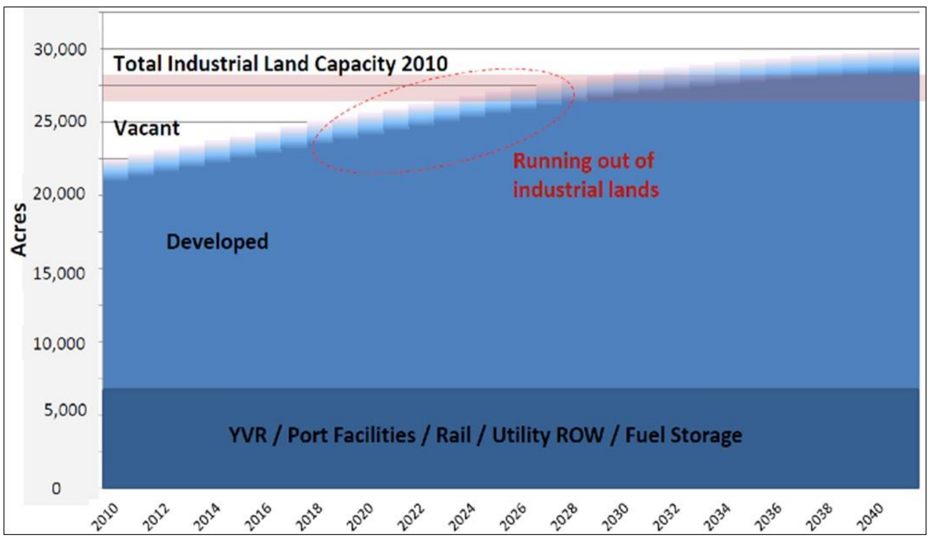
1 Colliers International Research and Forecast Report Year End 2015

FORESTS, LANDS, NATURAL RESOURCE OPERATIONS

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.*



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 BC'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 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 BC 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. BC municipalities often tax heavy and light industry property classes significantly higher than all other classes. This represents a significant competitive disadvantage to BC'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.

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 BC products and services, particularly in Asia.

Protecting BC'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;

2 http://www.richmond.ca/__shared/assets/PMV_IndustrialLands_GP_07201541990.pdf

- 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.

STRONG FOREST INDUSTRY EQUALS STRONG COMMUNITIES (2016)

The forest industry is one of BC's most important economic sectors. Forestry is a key economic driver; BC 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 BC 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 BC 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 BC 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 BC 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

1 http://www.cofi.org/wp-content/uploads/2015/01/bc_industry_impact_01-2015.pdf

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 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 BC & Canadian economy. When public/Crown resources such as forest tenures are being held by a disproportionally 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;

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2 http://www.policyalternatives.ca/sites/default/files/uploads/publications/BC_Office_Pubs/bc_2005/public_forests.pdf

   a. Use the 20% tenure take back to promote and expand Community Forests and First Nation Wood Land licenses;

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.

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

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

concern is that governments are considering making private drug coverage mandatory, as was done in 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 BC and across Canada would be a wise investment for BC'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.

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/

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THE CHAMBER RECOMMENDS

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 mode.

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 absences[2]–absence due to illness and caregiving for family members[3]–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

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.

- 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 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.[7][8] In addition, a larger supply of primary care physicians is associated with lower costs of health services[9][10][11], and higher quality[12]. 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 BC 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 BC 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

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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

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).

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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 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 that 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

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-Utlization-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/pmid/26236353/

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:

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.

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

15 M. Taylor, W. Taylor, K. Burrows, J. Cunnington, 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/pmid/24235209/

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

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 BC Ministry of Jobs, Tourism and Innovation, BC's Small Business Roundtable, Island Coastal Economic Trust and six Community Futures organizations 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 BC[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 BC, 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, BC 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]

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
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.

Another possible solution involves a slight modification to the existing BC Ministry of International Trade, Investment Capital Program, Eligible Business Corporation (EBC) tax program to support BC-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 BC 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 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

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
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

- 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 BC 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.

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.

TRANSPORTATION AND ITS ROLE IN BC'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 BC 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 BC since the 19th century. As of 2012, coal was produced from ten mines in three regions of BC The five mines in southeast BC and four in northeast BC 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

tonnes (56%) was thermal coal produced mainly in the prairies and 29 million tonnes was steelmaking (metallurgical) coal, produced in Alberta and BC There is a strong case for the Chamber to support continued production and export of both thermal and metallurgical coal.

BC 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 BC 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 BC is transported by rail to the Westshore Terminals export facility south of Vancouver. Coal from northeast BC 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 BC ports and currently represents 22% of BC'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

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

totaled $5.186 billion. Mining shipments totaled 36.014 million tonnes of which coal shipments are the 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 BC's rail (and port) systems could be sustained without these shipments is questionable.

BC 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 BC 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 area[9]. 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

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

implementation of proposed mitigation measures and subject to the conditions of 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 BC'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.

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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

Every year Canada's Port Authorities contribute much to Canada's economy:[16]

- 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 BC 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.

ADDRESSING THE HOUSING CRUNCH THROUGH INCREASING SUPPLY (2016)

Issue

The cost of housing in BC's major centres is rising. Demand for housing is out growing housing supply in both new builds and available rentals. As a result, BC residents are feeling the pressure of increased prices. The Canadian Mortgage and Housing Corporation (CMHC) states that housing starts in BC are relatively

16 Association of Canadian Port Authorities website www.acpa-ports.net/industry/index.html

17 Association of Canadian Port Authorities website www.acpa-ports.net/industry/cpafacts.html

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 BC are alarmingly low, especially when compared to other Canadian regional centres. All BC 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 BC would indicate increases in demand for rental stock, but insufficient supply growth as of late.

Apartment Vacancy Rates (BC)		
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 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.

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.

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1 CMHC Housing Market Outlook, October 2015

2 Metro Vancouver Regional Growth Strategy, 2011

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.

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 BC, 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 Vancity[3], 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.

The rental market, though, is challenging with a BC 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 in-migration of Canadian skilled labour, particularly where they are needed the most by BC employers. From October

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/JobsStudy_May20_2015/
4 CMHC, Fall 2015. *Rental market report – British Columbia Highlights*. www.cmhc.ca/housingmarketinformation

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, BC 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. BC 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 provincial support.

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

MUNICIPAL AFFAIRS AND HOUSING

There are programs to help with the development of social housing – a recent announcement from the Province of BC to partner with non-profits is an example. However, to address the projected housing needs for low to mid-income workers that BC 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 median[11]), and an average 2-bedroom suite is $1,287 requiring an income of $51,480 in Vancouver[12], 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 Policy[13] 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:

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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*.

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.

COMMUNITY BENEFIT POLICY (2016)

Background

BC 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. BC 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.

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.

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

In the mid-1990s, the Province under took 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 BC 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.

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 BC 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.

STOP THE TIME CHANGE IN BC (2016)

Twice a year, in BC 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 BC 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 finally 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 BC and Arizona don't change time. Neither does 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 BC Within the 4 months during Standard time (Nov – March), the petition has obtained almost 25,000 signature, 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 BC Legislature.

Bills introduced in the Oregon Senate would give voters an opportunity to put an end to DST, according to KOMO.[1] It 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.

1 http://www.huffingtonpost.com/2015/03/12/end-daylight-savings-time-oregon_n_6852880.html

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 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.

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 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

1 C Theobald, May 14, 2015, Edmonton Sun
2 AM Paperny, Global News, June 4, 2014

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 BC 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 BC 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:

3 Getting Serious about Crime Reduction: The Report of the Blue-Ribbon Panel on Crime Reduction. Ministry of Justice - 2014

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 BC 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 BC, 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
- 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.

TOURISM, ARTS AND CULTURE

SUPPORTING BC'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-based[1] agri-tourism supports a visitor economy in BC'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 generated[3]. A 2008 report estimated that the Liquor Distribution Branch (LDB) generates *over $800 million annually which goes into general revenue* of BC government revenues[4] (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 BC'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. BC's wine growing regions need government to support the success of BC'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-based[6] wineries. BC's Liquor Control and Licensing Branch categorizes all wineries in BC as either 'Land-Based' (LB) or 'Commercial' wineries. LB wineries must: produce wine made from 100% BC 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.

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
5See 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

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 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 BC appellation system that supports Land-Based wineries using only grapes grown in designated viticulture areas in BC[7] are likely to produce even more unique wine tourist experiences. BC'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 BC 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
BC wineries offering visitor experiences are the foundation of a strong agri-tourism sector in many of BC's regional destinations (Okanagan, Islands, Lower Mainland, Thompson). The substantial economic spin-off from these wineries to local regional economies is significant[9]. BC'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 BC'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 BC; and

7 See https://winecountrybc.wordpress.com/tag/terroir-bc/
8 See http://www.omafra.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.

2. Undertake a planning process to encourage expansion and development of the wine, cideries and distilleries agri-tourism sector in BC An ensuing plan or strategy needs to work in concert with BC's Agri-tourism policies and regulations.[10]

Appendix A – BC 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	RD	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, BC 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;

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

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.

Appendix C - Definitions

- BC 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;

(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

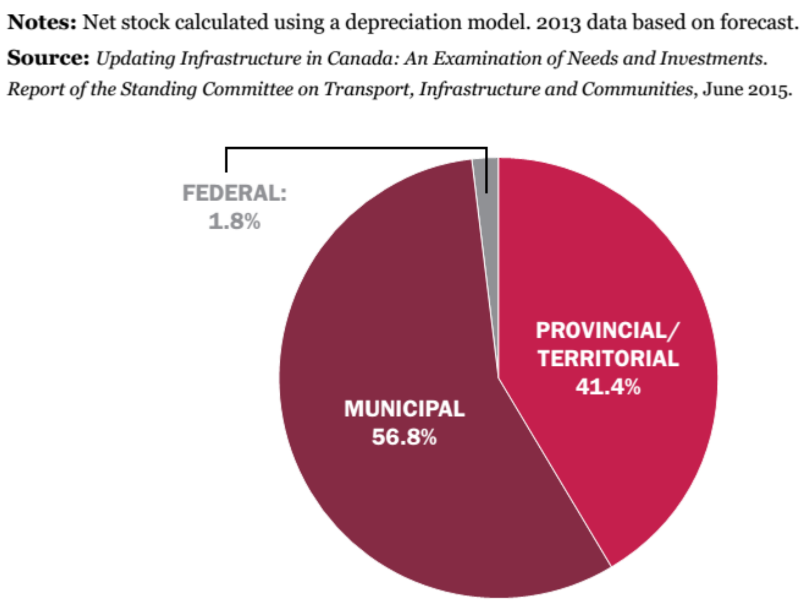
- BC Ministry of Agriculture *Regulating Ari-tourism and Farm Retail Sales in the ALR*
  - ***Agri-tourism** is a tourist activity, service or facility accessory to ALR land classified as a farm under the Assessment Act, if the use is temporary and seasonal, and promotes or markets farm products grown, 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 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.[11] The value of these core municipal infrastructure assets is estimated at $1.1 trillion dollars.[12]

Figure 1 - Net Stock of Core Public Infrastructure by Level of Government, 2013[13]



Municipally-owned infrastructure assets include, but are not limited to:[14]

- 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.[15]

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.[16] Spending was accelerated under the Government of Canada's stimulus program in 2009 and 2010. In the 2011

11 Federation of Canadian Municipalities (2016) Informing the Future: Canadian Infrastructure Report Card, page 5
12 Federation of Canadian Municipalities (2016) Informing the Future: Key Messages, page 2
13 *Figure 1* - Federation of Canadian Municipalities (2015) Policy Statement Municipal Infrastructure and Transportation Policy, page 6
14 Federation of Canadian Municipalities (2016) Informing the Future: Canadian Infrastructure Report Card, page 5
15 Federation of Canadian Municipalities (2015) Policy Statement Municipal Infrastructure and Transportation Policy, page 2
16 Federation of Canadian Municipalities (2015) Policy Statement Municipal Infrastructure and Transportation Policy, page 1

budget, the federal government announced a process to develop a new long-term infrastructure plan 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.[17]

The NBCP was a federal government commitment to invest over $53 billion in infrastructure across the country over the next 10 years (2014-2024).[18]

Two key components of the NBCP included:[19]

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.[20]

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.[21]

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.[22]

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 Rebate[23]

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.[24]

17 Federation of Canadian Municipalities (2015) Policy Statement Municipal Infrastructure and Transportation Policy, page 1
18 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html
19 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html
20 Federation of Canadian Municipalities (2015) Policy Statement Municipal Infrastructure and Transportation Policy, page 1
21 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html
22 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html
23 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html
24 Greater Vancouver Board of Trade, Provincial Infrastructure Strategy position 2016

TRANSPORTATION AND INFRASTRUCTURE

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 borrow against this funding which provides financial flexibility.[25]

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.[26]

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.[27]

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.[28]

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

25 www.infrastructure.gc.ca/regions/bc/bc-nbcp-npcc-eng.html
26 www.cancea.ca
27 Federation of Canadian Municipalities (2016) Informing the Future: Canadian Infrastructure Report Card, page 6
28 www.cancea.ca

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 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.[29]

The power industry estimates their backlog is in excess of $300 billion for the renewal of the power grid plus unknown generation renewal costs.[30] 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.[31] 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.[32]

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.[33]

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

29 www.cancea.ca
30 Federation of Canadian Municipalities (2016) Informing the Future: Canadian Infrastructure Report Card
31 Canada 2020 – "Setting the New Progressive Agenda" June 2015
http://canada2020.ca/crisis-opportunity-time-national-infrastructure-plan-canada/
32 Greater Victoria Chamber of Commerce, Value for Money for Infrastructure Projects position 2016
33 Greater Victoria Chamber of Commerce, Value for Money for Infrastructure Projects position 2016

communities for infrastructure improvements and upgrades, especially smaller communities for existing infrastructure, and required upgrades resulting from new regulations and standards;

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 BC 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 BC 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 BC'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.

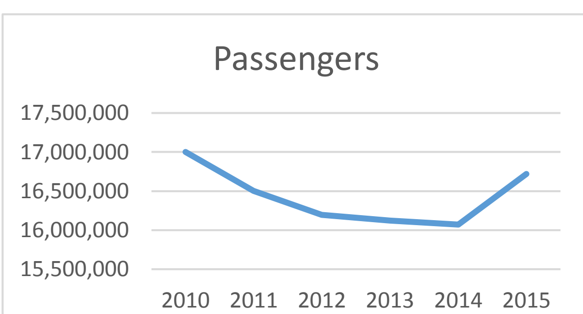
Impact

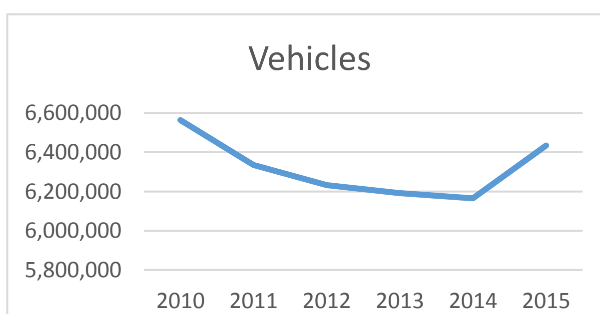
As stipulated in the CFSC, BC Ferries is an integral part of the BC coastal ferry system, linking Vancouver Island to the mainland and linking many other coastal communities. BC Ferries serves 51 municipalities and regional districts including all of Vancouver Island, the Gulf Islands, Texada Island, 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 Far Increases*, by the Union of BC 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.

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;

1 Route Financial Reports, 2014-2015 Annual Report to the BC Ferry Commissioner

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.

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 Governmnet6 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 BC 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)

BC 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. BC 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.

TRANSPORTATION AND INFRASTRUCTURE

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.

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 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 BC 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 thousands of small and medium-sized businesses and independent owner-operators.

Trucking industry experts describe the current BC 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, BC, 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 U.S. 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

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 License 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 BC 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.

BC’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 BC, western Canada, and U.S. to the ports and border crossings); trade from other nations (such as imports from Asia to BC, 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 BC as the gateway for the huge increase in trade traffic from the fastest growing economic region in the world. The overall strength of the BC 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. BC needs to address these issues in order to remain prosperous.

Our economic success in BC 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 BC 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 BC'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.

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 BC 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;
- 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 BC'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.

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 ELDs enhance the safety of the drivers and public at large, it will level the playing field for all companies involved in the industry.

TRANSPORTATION AND INFRASTRUCTURE

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 ELDs. These 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 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.

ELDs would not change driver hours of service, only the way hours of service are recorded.
The ELDs 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;

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.

1 cantruck.ca/feds-confirm-commitment-to-introducing-e-logs-and-e-stability-control-for-trucks/

BC Chamber of Commerce
Know what's on BC's mind.

POSITIONS

ON

SELECTED NATIONAL ISSUES

2016

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.[1]

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 (BC). Furthermore:

1 www.actionplan.gc.ca/en/initiative/canada-job-grant

- 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;
- 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.

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

Preamble
The beauty of British Colombia 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 BC to the Government of Canada.

1 See Annex for 2011 Proposed Boundaries

FINANCE

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

FINANCE

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 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 uncertainly, allowing businesses, residents and visitors a stable and transparent decision-making platform.

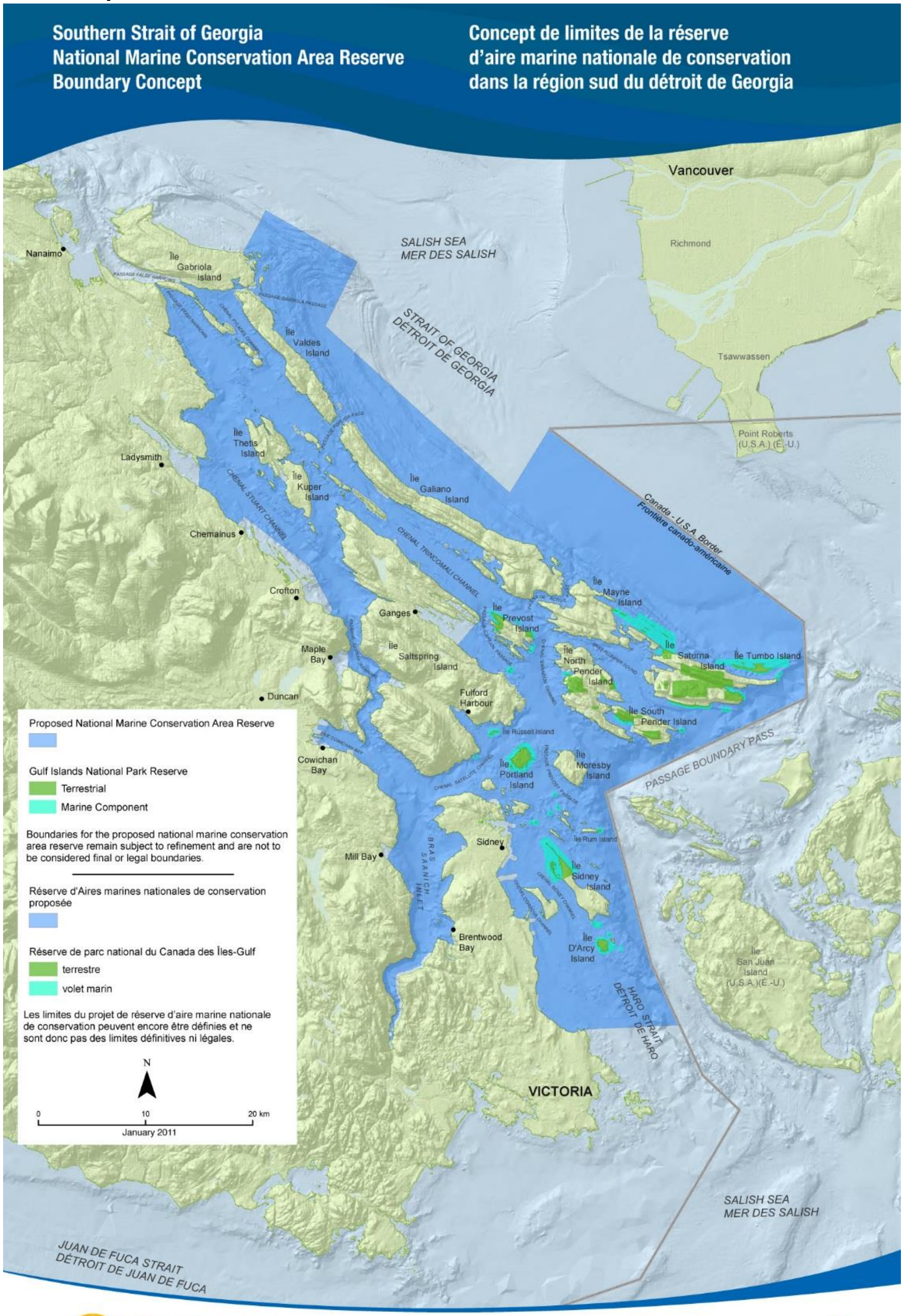
THE CHAMBER RECOMMENDS

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.

Annex – 2011 Proposed Boundaries



BRITISH COLUMBIA
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Canada

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.

1 http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/03614.html
2 http://www.oecd.org/competition/PaymentSystems2012.pdf

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.

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 hectoliter

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

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.

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.

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.

IMMIGRATION, REFUGEES AND CITIZENSHIP

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.

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
Entrepreneurs	50%	88	73
	70%	97	82
	80%	97	87
Self Employed	50%	65	35
	70%	97	48
	80%	97	71
Investors	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
	80%	15	15

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)

Canadian Experience Class	50%	11	10
	70%	14	11
	80%	15	12

Annex C: Approval Ratios[1]

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%**
Entrepreneurs	63	3	**89%**	61	138	31%	106	192	36%
Self Employed	303	1,145	**19%**	123	374	25%	98	150	40%
Investors	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%

Skilled Trades	**1,117**	**158**	**88%**	**63**	**112**	**36%**	15	36	29%

*Approval Rate: Cases Approved / Cases (Approved + Refused)
**FSW C-50 are Federal Skilled Workers with application received date after February 26, 2008

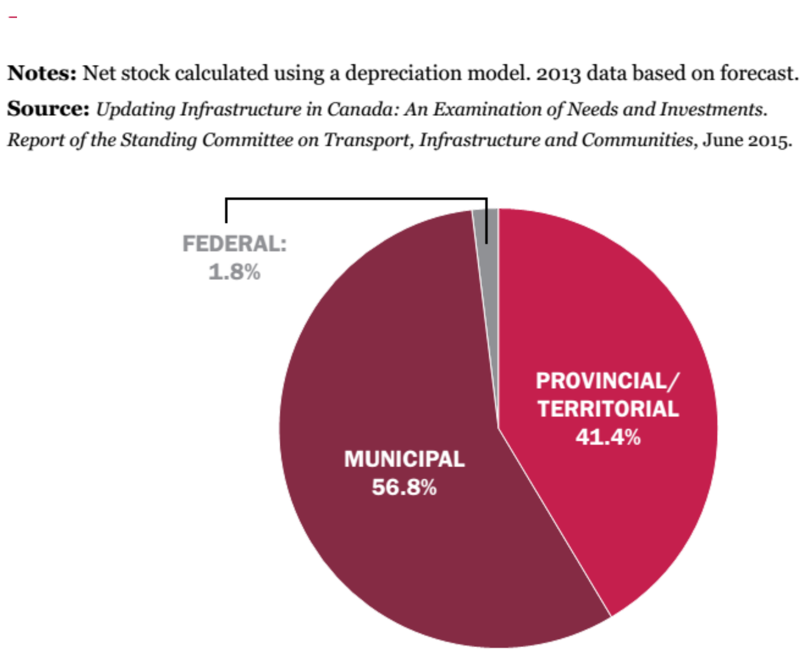
Annex D: Approval Rations (Temporary)[2]									
	2015			2014			2013		
Temporary Resident Visas Processed Abroad	**1,301,138**	**279,605**	82%	1,107,758	252,359	81%	974,335	202,089	83%
Study Permits Processed Abroad	132,956	53,576	71%	127,329	49,867	72%	119,096	38,535	76%
Temporary Work Permits Processed Abroad	181,143	17,437	91%	139,196	25,125	85%	136,275	22,362	86%

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[3]



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

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

budget, the federal government announced a process to develop a new long-term infrastructure plan 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

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

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 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]

14 Greater Vancouver Board of Trade, Provincial Infrastructure Strategy position 2016
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

INFRASTRUCTURE

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 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

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

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 standard.

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.

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

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 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 to meet federal and provincial conditions provided they continue to make reasonable investments to achieve project success.

SUPPORTING CANADA'S RESPONSIBLE RESOURCE DEVELOPMENT (2016)

BC 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 BC to serve as a net contributor to Canada's national economy in support of vital services such as health care and education.

4 http://gatewaypanel.review-examen.gc.ca/clf-nsi/hm-eng.html
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

NATURAL RESOURCES

BC 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 BC 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 BC 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.

BC 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 BC Including indirect and induced employment, a total of 62,000 person years across Canada will boost labour income by $4.3 billion.

NATURAL RESOURCES

The $8.3 billion Site C hydroelectric project in northeast BC creates 10,000 person years of direct construction jobs and 33,0000 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 BC are generational opportunities that add wealth, lower taxes and thereby make it more affordable for BC 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. BC 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 BC 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 BC 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.

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 BC 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 BC’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 BC’s five conditions has the full support and confidence of the provincial government, and should proceed.

TRANSPORT

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 are:[1]

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

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

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

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.

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:

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

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. 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

1 http://www.tc.gc.ca/eng/ctareview2014/canada-transportation-act-review.html

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.

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 policy[3] 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.

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

TRANSPORT

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 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:

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 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.

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

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

2 Public Accounts of Canada
3 CATSA Annual Reports

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