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2015 - 2016  
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November 12, 2015

**DELIVERED VIA EMAIL**

Honourable Michael De Jong, Q.C.  
PO Box 9048 Stn. Provincial Government  
Victoria, B.C. V8W 9E2

Dear Minister,

**RE: 2016-2017 Pre-Budget Submission for the Province of British Columbia (the "Province")**

On behalf of The Vancouver Board of Trade's (the "VBOT") thousands of members, representing small and large businesses across the Province, we are pleased to present recommendations for the 2016-17 provincial budget. Our recommendations are based on following four priorities:

1. Debt Reduction
2. Spending Management
3. Tax Competitiveness
4. Economic Vision

We respectively present the following recommendations as key elements for making the Province fiscally resilient, economically competitive, socially responsible, and environmentally attractive.

**Recommendations:**

**1. Debt Reduction**

The VBOT continues to support the government's efforts to maintain a balanced budget in 2015-16. The VBOT also recognizes that British Columbia's taxpayer-supported debt-to-GDP ratio and AAA credit rating compare very well to those of the other Canadian provinces. The VBOT is pleased to see improvements in 2015-16 revenue that are expected to reduce British Columbia's taxpayer-supported debt-to-GDP ratio. As noted in the first quarterly report in September, the debt-to-GDP ratio is expected to improve to 17.4 per cent in 2015-16, 0.8 per cent lower than the forecast from the 2014 provincial budget and a 0.3 per cent decrease over the prior year.

The VBOT applauds the province's strong track record of prudent fiscal management and continued efforts to reduce the taxpayer-supported debt-to-GDP ratio, which allows the Province to respond more effectively in times of economic uncertainty.

## **2. Spending Management**

The VBOT acknowledges that the government continues its commitment to managing spending growth in the delivery of core services, and applauds this initiative. The VBOT would like to see an expansion of the program to all areas of government spending. Further, the VBOT encourages continued and improved coordination between all three levels of government, to ensure that spending as a whole is more efficient and effective.

### *Health Care*

The VBOT encourages the provincial government to continue to support the health and well-being of Canadians by implementing the Adult Fitness Tax Credit as a way to support active Canadians and reap the benefit of lower health-care expenditure. The Provinces of Alberta and Nova Scotia have already implemented similar programs aimed at improving the physical fitness of residents.

Estimates for a program at the national level have pegged the net savings on health-care expenditure at \$625M over a timeframe of five years. It is reasonable to conclude that a similar program in British Columbia would also have net positive benefits. The VBOT recognizes the prudent and historically sound spending management of the government and notes this directive to be a strong signal that the Province supports physically fit Canadians and is serious about reducing the burden of health care on the budget as a whole.

## **3. Tax Competitiveness**

Having a competitive tax structure is necessary to retain existing businesses and to attract new investment to the province. The VBOT is concerned that recent legislative tax developments are placing B.C. at a competitive disadvantage.

### *Provincial Sales Tax*

It is important for taxpayers to invest and reinvest in their businesses in order to stay competitive and grow. With the reintroduction of the PST, B.C.'s taxes on new investment have become the highest among the Canadian provinces. As the Expert Panel on B.C.'s Business Tax Competitiveness anticipated, the PST subjects businesses to "a significant additional cost on investments... [making] it harder for them to remain competitive and preserve and create jobs."

The B.C. Expert Panel recommended that the B.C. Government "provide a fully refundable investment tax credit claimed on business 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." The VBOT continues to strongly support this recommendation of the Expert Panel. This improvement to

the PST would help mitigate its negative effects on business and employment, and enable and incent them to invest and reinvest in their businesses without punitive tax consequences. In addition to providing an incentive for reinvestment, the tax credit will also serve to reduce the complexity of current PST rule. Currently depending on how equipment is used in a manufacturing process, the equipment PST exemption differs. Finally, the VBOT requests that the Province continues to explore policy or tax changes that improve the competitiveness of B.C. businesses.

#### **4. Economic Vision**

As an association representing small, medium and large private sector businesses across all of B.C.'s core industries we want to express our appreciation for the proactive initiatives that drive our provincial economy and support B.C.'s competitive advantage.

##### *Housing Affordability - Property Transfer Tax and Home Buyer's Grant*

The VBOT believes that the issue of housing affordability in the Greater Vancouver Area (GVA) needs to be further investigated by all levels of government so that we may understand its impact on our economy and the ability to attract and retain human capital.

We call on the provincial government to work alongside the Federal government and provide funding, if necessary, to gather research to better understand the issue of affordable housing and the impacts on the economy.

The Property Transfer Tax was introduced in 1987 with the intent to put most of the tax burden on the buyers of luxury homes. The threshold of \$200,000, attracting a 2 per cent tax rate, has never increased and as such is now applicable to the majority of properties purchased in the province (the only significant change to the tax has been the grant for first time home buyers). The VBOT supports the recommendations previously put forth by the British Columbia Chamber of Commerce to reform the Property Transfer tax.

##### *Liquefied Natural Gas*

The VBOT is highly supportive of the B.C. government's leadership in respect of liquefied natural gas (LNG). However, we are concerned that the LNG window of opportunity is short. We need a practical, realistic and timely action plan. We applaud the steps that were taken to introduce LNG tax legislation last year that will hopefully provide more cost certainty for proponents considering a LNG investment in B.C. The government needs to ensure that the overall tax burden on LNG facilities is competitive and sensitive to the overall pricing of the product within global markets.

##### *Transportation and Infrastructure*

As you are aware, the movement of goods, services, and people is critical to economic and social future of families and businesses in the Lower Mainland. While we are disappointed with the result of the unsuccessful transportation plebiscite, we respect the decision made by voters. We remain concerned that the outcome will negatively affect livability in the region, and that our economy and businesses will suffer without the necessary transportation

improvements. The VBOT is committed to working with our Members, the Mayors of Metro Vancouver, the Province, and stakeholders from across the region on determining solutions to improve the movement of people and goods.

The VBOT would like to see B.C.'s role as Canada's Asia Pacific Gateway grow through the aggressive development of air, sea, land, and rail infrastructure. These projects include: (1) replacement of the George Massey Tunnel with a 10-lane bridge (2) port expansion at Robert's Bank Terminal 2; (3) improved rail capacity in the Lower Mainland; and (4) a 6 to 8-lane replacement for the aging Pattullo Bridge in cooperation with TransLink. More specifically, we would like to highlight the value of an integrated approach that delivers the need for transportation and new infrastructure to reach or access overseas markets. We are pleased to see the progress on the needed replacement of the George Massey Tunnel, on which we have specifically advocated for.

We know the "elephant in the room" for the development and implementation of integrated land use and transportation planning is how it is funded, and more specifically who pays. The VBOT needs a clear understanding of what realistic funding mechanisms the Province would like to consider in order to achieve sustainable, long-term funding to address the regional transportation growth initiatives needed for Metro Vancouver and its municipalities. Such mechanisms must demonstrate a fair and equitable balance between all system users and residents of the region. The business community needs a voice during the decision-making process and must be meaningfully consulted.

The VBOT requests that the Province explore innovative funding options to increase new or existing transit capacity through development contributions. New large developments adjacent to existing or future transit corridors will dramatically drive transit demand and these developments should be significant funding contributors to the investments needed to meet increased usage. Targeted development contributions should also be considered in advance of ambitious plans to invest in rapid transit in Surrey and along the Broadway corridor. We welcome the appointment of Minister Fassbender as the Minister responsible for TransLink and look forward to the opportunity to seek solutions through constructive dialogue with the Minister, Mayors and TransLink.

#### *Elimination of Barriers to Internal Trade*

The VBOT is wholeheartedly supportive of the Federal government's ongoing efforts to reduce or eliminate tariff and non-tariff barriers to trade, including the recently concluded Comprehensive Economic and Trade Agreement and Trans Pacific Partnership, and recognize their significance to British Columbia. However there remain significant non-tariff barriers that hinder free trade within Canada, including the movement of goods, services and labour, which significantly increase the cost of doing business and harm our international reputation as a place to do business. The provinces and territories must continue to work together to explore opportunities to address the shortcomings of the original Agreement on Internal Trade (1994), before the final review in March 2016. Formerly this issue was partially addressed by the Trade, Investment and Labour Mobility Agreement between British Columbia and Alberta and the New West Partnership Trade Agreement, which also included Saskatchewan.

*Labour Markets*

The VBOT applauds the provincial government's long-term strategies to ensure B.C. has the human capital necessary to thrive in the decade to come. Although the current labour market environment is soft, with limited evidence of labour shortages except in specific regions and industries, demographic realities of an aging population and the prospects of massive resource-oriented investments point to shortages in the years to come.

B.C.'s partnership with the federal government to support job training through the Canada Job Grant and focus on skills development for the Aboriginal population are shifts in the appropriate direction. We call upon the government to enhance these initiatives through further funding for training and apprenticeships for the Aboriginal workforce.

**Closing remarks:**

The VBOT's recommendations are made in the spirit of encouraging the Province to continue to build on the strength of our provincial economy and to pursue the benefits that a strong economy brings to all citizens. We support fiscal policy and performance that is based on a balance of needs between businesses, and the residents who rely on the goods and services from both the public and private sectors. We also recognize and appreciate past decisions and initiatives that have supported the B.C. business community, and we know that B.C.'s continued recovery and stability will be realized by actions that bolster our existing strengths and manage weaknesses and threats to our economy.

We look forward to the opportunity to work with you in furthering the economy of our Province.

Sincerely,

**The Vancouver Board of Trade, per:**



Tim Manning  
2015-16 Board Chair



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President and CEO

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- Minister Terry Lake
- Minister Shirley Bond
- Minister Amrik Virk
- Minister Todd Stone
- Minister Peter Fassbender