



GREATER VANCOUVER BOARD OF TRADE

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November 18, 2016

DELIVERED VIA EMAIL

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

Dear Minister,

RE: 2017-18 Pre-Budget Submission for the Province of British Columbia (the "Province")

On behalf of Greater Vancouver Board of Trade (the "GVBOT"), we respectfully submit the following recommendations to the Provincial Government for consideration in the 2017-18 Provincial Budget. These positions reflect the concerns and priorities of our board of directors and more than 5,000 Members across British Columbia.

Every year, in consultation with our Members and our board of directors, we submit our key priorities, identify issues we believe must be addressed, and provide specific and actionable policy recommendations for the Provincial Government.

Upon its release, the GVBOT evaluates the performance of each Budget based on criteria which reflect the priorities of our Members, the GVBOT, and the Greater Vancouver business community. The 2017-18 Provincial Budget will be evaluated on 3 categories:

- 1. Economic Vision
2. Fiscal Prudence
3. Tax Competitiveness

This past year the GVBOT released the 2016 Greater Vancouver Economic Scorecard (the "Scorecard"), which ranked the Greater Vancouver region in relation to 19 other international metropolitan regions on key economic and social indicators. It provided A-B-C-D grades to jurisdictions relative to the performance of their competitors. The Scorecard measures Vancouver's strengths and weaknesses in attracting labour and business investment. This report, and its subsequent iterations, will guide the research and advocacy work of our organization for years to come.

Based on consultation with our Membership and the conclusions from the Scorecard, we respectfully present the following recommendations

as necessary steps in ensuring that, in the face of a changing world, our Province is resilient and flexible, fiscally sound, economically competitive, and environmentally and socially responsible.

1. 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 proactive initiatives that drive our provincial economy and support B.C.'s competitive advantage. Our competitiveness, which underlies the Province's strong growth, remains crucial to our continued success. To this end, we highlight here several key issues that we hope the Provincial Government will take into consideration in advancing its vision of a robust economic future.

Trade-Enabling Infrastructure

Given the significance of Greater Vancouver's role as a gateway, adequately and sustainably developing the necessary infrastructure will be critical to our country's economic competitiveness in the coming years. To retain and leverage this enviable position, it is of great importance that we continue to invest in trade-enabling infrastructure to ensure we maintain a highly efficient and environmentally responsible gateway

As highlighted in the Scorecard, B.C. remains a crucial point of access to increasingly significant overseas markets.¹ To capitalize on this key strength of our region, the GVBOT would like to see the continued expansion of our role as the nation's Asia Pacific Gateway through significant capacity and capability enhancements to our existing air, sea, land, and rail infrastructure. These projects include port expansion at Roberts Bank Terminal and improved rail capacity in the Lower Mainland.

As we highlight the importance of transportation infrastructure investments, we bear in mind the high costs associated with these projects and the uncertainty around the funding sources that are to support them. We encourage the Province to ensure that a reliable long-term funding strategy is in place to help support the advancement of critical trade-enabling infrastructure. Innovative funding mechanisms, including Public-Private Partnership, should also be explored in financing these vital projects.

The Fall Economic Statement 2016 from the Federal Government announced both an Infrastructure Bank and internal market corridors as specific priorities for the government. As "Phase 2" of their plan moves forward, it is important for the Province to identify and align its own infrastructure priorities in a way that maximizes the availability and benefits of this new funding.

¹ *Greater Vancouver Economic Scorecard 2016* (2016), page 16, <https://www.boardoftrade.com/scorecard2016/files/Full%20Report%20-%20Greater%20Vancouver%20Economic%20Scorecard%202016.pdf>

We also note that, because our region is geographically constrained and experiencing increased demand for housing, the supply of land for port expansion or other industrial land use is severely restricted.² Our diminished ability to generate continued, long-term economic growth through industrial land development and expansion makes it imperative that we make concentrated infrastructure investments that best leverage our existing competitive advantages.

Recommendations:

1. Continue strengthening Vancouver's position as Canada's Pacific Gateway by making strategic and appropriate investments in trade-enabling infrastructure, including:
 - I. Port expansion at Roberts Bank Terminal 2
 - II. Improved rail capacity in the Lower Mainland; and
2. Take immediate inventory of industrial land in the Province, and continue to develop a comprehensive provincial land use strategy which includes protection of industrial land within an overall economic strategy.

Transit and Road Investment

The GVBOT congratulates the Province on its agreement with the Federal Government to provide \$616 million in funding for Phase 1 of the "Mayors' Plan" and to advance planning efforts on initiatives like the Broadway Skytrain Extension and Surrey rapid transit projects.³ While we are encouraged by the recent progress on public transit expansion and improvement, we remain concerned that the strength of our families, businesses, and overall economy will be negatively impacted should the Province's continued dedication to meaningful, timely transit investments waiver.

An insufficient transit network compounds Greater Vancouver's housing affordability crisis by limiting housing choices and transportation options.

In the coming years, an adequate public transit system that is well prepared for population growth will be critical in ensuring a high quality of life and business competitiveness within Greater Vancouver. The Scorecard reports that the region currently lags in this area, earning only a "C" grade for both its proportion of non-car commuters and its average commuting time.⁴ More broadly, there are significant bottlenecks in the movement of goods and people in our region, especially along major corridors such as the George Massey Tunnel.

² "Housing puts the squeeze on Metro Vancouver industrial land" (2015), <http://www.vancouversun.com/business/housing+puts+squeeze+metro+vancouver+industrial+land/11645259/story.html>

³ "TransLink Mayors' Council Welcomes \$616 Million in Federal and Provincial Transit Funding" (2016), http://www.translink.ca/-/media/Documents/about_translink/governance_and_board/council_minutes_and_reports/2016/june/2016_06_16_news_release_mayors_council_phase_1_funding%20june_2016.pdf

⁴ Scorecard 2016

We implore the Province to continue to address the past underinvestment in roads and public transit that has created these challenges. Specifically, we encourage the Province to work with other levels of government to develop a realistic and sustainable funding strategy to guarantee long-term stability in the financing of crucial projects. Moreover, we implore the Province to investigate innovative funding mechanisms (e.g., mobility pricing, development-funded capacity enhancements, etc.) for such capital-intensive projects.

Recommendations:

1. Build on the momentum created by recent transit funding with continued investment in road and transit expansion and improvements, with projects such as:
 - I. Rapid transit expansion in Surrey and to Langley
 - II. UBC/Broadway corridor Skytrain extension
 - III. 10-lane bridge replacement of the Massey Tunnel
 - IV. Region-wide bus service expansion
 - V. Pattullo Bridge 6-lane replacement
 - VI. More frequent Seabus service; and
2. Take a leadership role in working with local governments and communities to pursue mobility pricing (e.g. road tolling, distance pricing, etc.) to fund investments in public transit and roads.

Ridesharing

In addition to expanded transit options, Greater Vancouver is also in need of other new, innovative passenger transportation choices. Earlier this year, the GVBOT released a research report on innovative transportation options within Vancouver, focused on ridesharing services (e.g., UBER, Lyft). (See full report in Appendix 1.) We found that road congestion and crowded public transit are placing mounting pressure on our region's infrastructure, draining our economy of its productivity and overall effectiveness. In the Greater Vancouver region alone, the direct cost of congestion has been estimated at approximately \$1.4 billion per year.⁵ Therefore, exploring new options for the safe and efficient movement of people is necessary to the growth and development of our economy and the success of our businesses.

Ridesharing, in which drivers use personal vehicles to offer one-time rides to customers through smartphones and an online application, is an emerging trend in transportation. Despite the proliferation of ridesharing services like Uber, Lyft, and Blablacar across Canada, the United States, and Europe, no such services are available in British Columbia. In fact, Greater Vancouver remains the largest North American metropolitan area without ridesharing.

⁵ Canada's Ecofiscal Commission, *We Can't Get There from Here: Why Pricing Traffic Congestion is Critical to Beating It* (2015), Page 4, <https://ecofiscal.ca/wp-content/uploads/2015/10/Ecofiscal-Commission-Pricing-Traffic-Congestion-Report-November-2015.pdf>

We urge the Province to move forward on this issue in a timely and responsible way. Specifically, we encourage the Province to develop provincial safety standards related to ridesharing drivers, vehicles, and other related activities. We also note the importance of implementing standardized and practical corporate operating requirements for ridesharing companies in order to minimize any losses to local employment and tax revenue.

Recommendations:

1. Establish a new provincial regulatory framework which introduces ridesharing to the Province and provides residents with greater access to safe and reliable passenger transportation options;
2. Review and update taxi regulations to enable the industry to effectively compete against new services and provide consumers with the benefits of a more competitive ride-for-hire market;
3. Modernize provincial regulations and harmonize municipal regulations to remove unnecessary red tape and establish a regulatory regime which fosters innovation and competition; and
4. Direct ICBC to consult with stakeholders in developing an insurance product suitable for part-time and flexible vehicle-for-hire work that is applicable to both the taxi and ridesharing industries.

Housing Affordability

The GVBOT remains concerned about the state of housing affordability in the Greater Vancouver region. Our Scorecard ranked the region as 15th amongst 17 selected comparable cities around the world for housing affordability, with a median home price that is 10.6 times the median household income.⁶ Low housing affordability reduces the region's ability to attract and retain talent, particularly when it comes to younger demographics. In turn, decreased access to skilled human capital has the potential to deter businesses from locating or growing in the Greater Vancouver region.

In line with the recommendations we outline in the Scorecard, the GVBOT encourages the Province to work with municipalities to increase housing supply and housing diversity. We also note the Provincial Government's efforts to protect existing housing stock from speculation through the taxation of international investors. As the foreign buyers tax is collected over the coming years, we highlight the necessity of transparency in the allocation of these tax dollars. Specifically, it is important to ensure that collected funds are used to explore, implement, and support solutions to the housing affordability problem within the Greater Vancouver region.

Though we acknowledge that this challenge has a strong municipal dimension, all levels of government must commit to exploring how the scarcity of affordable housing options impacts our economy and our ability to attract and retain human capital. We call on the

⁶ Scorecard 2016, page 49.

Provincial Government to work alongside the Federal and local governments and provide funding, if necessary, to gather research that enables a more developed understanding of the breadth of the causes of low housing affordability.

While both demand-side and supply-side pressures contribute to rising housing costs, the GVBOT would like to see greater attention given to growing overall housing stock in the Province. Cooperation and collaboration between all levels of government is key to effectively addressing the affordability crisis. The GVBOT's position on housing supply was captured in a 2016 BC Chamber AGM resolution (See full report in Appendix 2).

Recommendations:

1. Ensure that funds collected under the new foreign buyer tax are appropriately and transparently allocated;
2. Explore the causes of low housing affordability in affected areas of our Province, with particular attention to its impact on human capital; and
3. Work with municipalities to remove barriers to development and find ways to incentivize growth, density, and diversity in the housing stock.

Human Capital

The GVBOT applauds the Provincial Government's long-term strategies to ensure that B.C. has the human capital necessary to thrive in the decade to come. We note, however, that the Greater Vancouver Area still has significant opportunity for improvement when it comes to the region's ability to successfully compete for human capital. Specifically, the Scorecard highlighted the need for Greater Vancouver to more effectively attract, develop, and retain a well-educated and diverse workforce. As it stands, our region earns only a "C" grade for the proportion of the population age 25 or over with a bachelor's degree or higher.⁷ Raising educational attainment rates overall could serve as a key enabler of growth in productivity rates within the region.

We also highlight the special interconnectedness of many other issues raised within this letter with human capital. Specifically, housing affordability and transit options severely affect businesses' ability to attract and retain qualified and talented workers who can afford to live comfortably in the region.

We encourage the Province to consider its role in enabling the expansion of the broader regional human capital pool. This means increased focus on immigration, social infrastructure, and the participation of women and Indigenous people in the economy. We see many opportunities in this respect and we call upon the government to adequately explore them.

The GVBOT encourages the Province to work with the Federal government to explore the human capital potential of increased access to affordable child care. A number of

⁷ Scorecard 2016, page 49

microeconomic studies across multiple countries have led to the accepted conclusion that there is a negative relationship between mothers' workforce participation and child care costs.⁸ In fact, the five OECD nations with the highest proportion of working women with children all guarantee access to affordable child care to their citizens.⁹ Canada's participation rate shows a significant opportunity to draw more women with children into the labour force: Based on 2013 data, we place only 9th among OECD countries.¹⁰

We believe that further research on increasing the workforce participation rate for women with children would be a useful undertaking, and could help clarify how to attract employees back to the workforce in a timely manner. Further, it would facilitate women's participation in the economy, address B.C.'s labour force challenges, and help to position British Columbia to excel in the global knowledge-based economy.

We also highlight adequate access to mental health care as another means by which to increase workforce participation. The Mental Health Commission of Canada has noted that, as it stands, mental health problems make up 30% of short-term and long-term disability claims.¹¹ There is strong evidence, however, that investment in effective programs can reduce both the economic and the health impacts of these illnesses. Consequently, we strongly encourage the Province to ensure that the public health care system provides timely, quality, and accessible mental health care services. Further, we urge the Province to collaborate with the business community and mental health care NGOs to build our shared capacity to implement programs and strategies that can effectively address these challenges.

A robust and sustainable health care system more broadly will also be critically important in coming years. As our population ages, the current model grows increasingly unsustainable. We encourage the Province to work with health authorities and the private sector to develop a stable financial model that can support the modernization and transformation of B.C.'s health system.

The GVBOT also highlights the need to examine the performance of the current health care payment remittance structure more broadly. Substantial challenges in the collection of MSP premiums result in considerable lost revenue for the Province. We encourage the Provincial Government to undertake serious efforts to ensure the ongoing effectiveness and efficiency of MSP premium collection. Reduced administrative burdens related to premium collection

⁸ OECD Economics Department Working Paper 376, "Female Labour Participation: Past Trends & Main Determinants in OECD Countries," 2003.

⁹ Toronto Star, October 26, 2014.

https://www.thestar.com/news/gta/2014/10/26/what_does_universal_childcare_mean_for_working_women.html

¹⁰ Toronto Star, August 3, 2016. <https://www.thestar.com/business/2016/08/03/fewer-canadian-moms-participate-in-workforce-than-those-in-many-rich-nations.html>

¹¹ Mental Health Commission of Canada, <http://strategy.mentalhealthcommission.ca/the-facts/>

would benefit both the government and taxpayers, streamlining a critical aspect of health care funding.

Recommendations:

1. Develop a robust plan to explore and address the challenges of attracting and retaining human capital within the Greater Vancouver region;
2. Work with the Federal government to explore the human capital potential of increased access to affordable child care; and
3. Transition toward health care funding and service models that support our province's demographic changes and future needs.

Liquefied Natural Gas

The GVBOT strongly approves of the B.C. government's enthusiastic support of liquefied natural gas (LNG). We recognize the progress made on the Pacific Northwest LNG project, and the recent Final Investment Decision (FID) regarding Woodfibre LNG. As hopefully more FIDs are made, we encourage the Province to continue embracing its leadership role in order to move towards a positive outcome.

Further, we note the heightened importance of ongoing leadership on LNG, as the window of opportunity for project advancement may be short. We urge the Province to continue implementing a practical, realistic, and timely action plan aimed at bringing new projects online and signalling B.C.'s readiness to serve global markets in the near future.

Recommendations:

1. Continue to demonstrate strong leadership as the FID process advances; and
2. Continue implementing a clear plan to advance LNG projects throughout the province.

Barriers to Internal Trade

We also urge the Province to ensure that any new Agreement on Internal Trade (AIT) guarantees greater interprovincial recognition of qualifications, particularly in the trades. Similar streamlining of foreign qualification recognition for new Canadians could also help recognize the potential of international contributions to our economy.

Recommendations:

1. Encourage greater recognition of qualifications from other provinces and countries in order to continue building a robust, diverse, and well-trained workforce in our province.

2. Fiscal Prudence

The GVBOT applauds the government's projected \$2 billion budget surplus in 2016-17. We also recognize that British Columbia's taxpayer-supported debt-to-GDP ratio and AAA credit rating compare very well to those of the other Canadian provinces. As noted in the first

quarterly report in September, the debt-to-GDP ratio is expected to improve to a little over 16 per cent in 2016-17, making it amongst the lowest in Canada even before projected continued improvements.¹²

The GVBOT applauds the Province's strong track record of prudent fiscal management and acknowledges the government's continued commitment to managing spending growth in the delivery of core services.

Recommendations:

1. Continue managing spending in the delivery of core services; and
2. Improve coordination between all three levels of government to ensure that spending as a whole is more efficient and effective.

3. Tax Competitiveness

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

As highlighted in the GVBOT's 2016 Economic Scorecard, another significant regional challenge is the high marginal effective tax rate on capital investment. The region received a "C" grade, ranking behind both Toronto and Calgary, which received "A" grades.

With the reintroduction of the PST, B.C.'s taxes on new investment have become the highest among the Canadian provinces. Businesses in the province incur a "significant additional cost on investments made to modernize their operations," discouraging growth and the accompanying creation of jobs.¹³ The GVBOT echoes the recommendation of the Expert Panel on B.C. Business Tax Competitiveness that the Province create an investment tax credit to encourage machinery and other equipment acquisitions.

This improvement to the PST would help mitigate the negative effects of the PST to business and employment and encourage them to invest and reinvest in their businesses without punitive tax consequences. The tax credit will also serve to reduce the complexity of current PST rules, whereby some equipment investments are exempt from PST and some are not, depending on how the equipment is used in the manufacturing process.

We also applaud the government for continuing its sensible approach to fighting climate change with a broad-based and revenue-neutral carbon tax. B.C. has lead North America with a \$30-per-tonne price on carbon, and we support the decision to wait for other jurisdictions to meet this price before increasing it further.

¹² 2016/17 First Quarterly Report

¹³ *Report of the Expert Panel on BC's Business Tax Competitiveness* (2012), page 61,
<http://www.fin.gov.bc.ca/docs/Final%20Report%20as%20of%20September%2014,%202012.pdf>

Overall, we endorse the Province's creation of B.C. Commission on Tax Competitiveness and look forward to receiving the Commission's findings and seeing the Province take action to address the Commission's findings.

Recommendations:

1. Create an investment tax credit, or similar mechanism, to encourage machinery and other equipment acquisitions; and
2. Investigate improvements to the PST to help mitigate its negative effects on business investment and employment.

Short-Term Rental Accommodation

International visitors - whether here as tourists, meeting/convention attendees, or business travellers - are a key factor growing the B.C. economy. As identified in the Scorecard 2016, tourism is a key economic cluster in Greater Vancouver. Our unique position as a Gateway economy brings people from around the world to our province and communities for business and pleasure. In order to best capture the value generated by these overnight visits, it is important that the Province of B.C. develop a regulatory framework that ensures safe, reliable and tax-compliant accommodation options for all who come to our province.

One increasingly popular option is the use of peer-to-peer platforms (e.g., Airbnb, VBRO, and Flipkey) that allow users to list or purchase short-term rental accommodations on a nightly basis. By allowing private residents to list a bed, room, or entire unit, these platforms offer a way for homeowners and renters to earn extra income while providing a flexible lodging option for both leisure and business travellers.

To ensure a fair competitive environment, such platforms should comply with existing regulations and face a similar destination marketing taxation regime as conventional lodging options like hotels and bed and breakfasts. Destination marketing taxes, often known as the Municipal and Regional District Tax (MRDT), support local tourism marketing, as well as programs and projects related to tourism development. The tax plays an important role in growing B.C.'s tourism industry and leveraging greater economic value from overnight visits.

Short-term rental accommodation platforms already collect MRDT-type taxes at the point of purchase by collecting and remitting these taxes on the platform in over 225 other jurisdictions. The Provincial Government should similarly require all peer-to-peer short-term accommodation to pay MRDT on behalf of travellers using the platforms. Further, they should remove the MRDT exemption for properties with 4 rooms or less.

By requiring these platforms to pay MRDT in B.C., the Province will create greater tax compliance, grow B.C.'s tourism industry, and help ensure that platforms such as Airbnb and VBRO operate within a more equitable regulatory environment.

Recommendation:

1. Require all short-term rental accommodation platforms (Airbnb, VBRO, Flipkey, etc.) to collect MRDT on all accommodation rentals at the point of purchase, and remit it directly to the relevant provincial authority; and
2. Remove the MRDT exemption for properties with 4 rooms or less.

Conclusion

The Greater Vancouver Board of Trade's recommendations are made in the spirit of encouraging the Province to continue to build on the relative 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 appropriately balance the needs of businesses with those of the residents who rely on the goods and services from both the public and private sectors. On this note, we commend the Provincial Government on the fiscal prudence and sound economic policies that have characterized the last year.

We look forward to the opportunity to work with you to further strengthen our provincial economy and meaningfully address the critical challenges documented within the Scorecard.

Sincerely,

Greater Vancouver Board of Trade, per;



Iain S. Black ICD.D
President and CEO

CC:

[BC Cabinet Ministers](#)

[Members of the Legislative Assembly, Greater Vancouver Region](#)