



GREATER VANCOUVER BOARD OF TRADE

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Hon. Iain J.S. Black, ICD.D

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June 27, 2019

DELIVERED VIA EMAIL: FIN.Minister@gov.bc.ca

Honourable Carole James, Minister of Finance
BC Ministry of Finance
PO Box 9048 Stn Provincial Government
Victoria, B.C. V8W 9E2

Dear Minister James,

RE: 2020-2021 Pre-Budget Submission to the Province of British Columbia (the "Province")

On behalf of the Board of Directors and more than 5,000 Members of the Greater Vancouver Board of Trade (the "GVBOT"), we respectfully submit the following priorities and recommendations to the Provincial Government for consideration in the 2020-2021 B.C. Budget.

The Greater Vancouver Board of Trade's priorities for the 2020-2021 Provincial Budget are:

- Business Competitiveness
• Transportation and the Gateway
• Housing
• Workforce and Skills Training
• Fiscal Prudence

These priorities and our recommendations are discussed in greater depth in the attached Appendix. Immediately below are our priorities in brief:

Business Competitiveness

- Businesses face a myriad of impediments to growing their businesses: increasing regulatory burdens and transaction costs, rising fixed and variable costs, such as corporate income taxes, minimum wage, and the Employer Health Payroll Tax. The cumulative impact of taxes and regulations from all levels of government means small and large job creators in the Greater Vancouver region will reconsider making decisions that benefit our economy, such as increasing their workforces, investing in new capital and equipment, or otherwise growing their businesses.

- The GVBOT recommends the Province to **raise the Employer Health Tax minimum payroll threshold** for tax eligibility for small and medium-sized enterprises from \$500,000.
- While some improvements could be made, the workers' compensation system in British Columbia is not broken. Given the potential impact to employers, the GVBOT encourages the government to take a light touch during the **review of the current workers' compensation system**. There are improvements that can be made for workers. At the same time, given the overall increased levels of tax and regulation on businesses, it is critical that the government be mindful of the impact on employer premiums and compliance costs.

### Transportation and the Gateway

- Greater Vancouver remains a crucial entrepôt for Canadian goods and services exports to increasingly significant overseas markets, particularly in light of our multilateral free trade agreements and major resource projects. It is a priority of the GVBOT that Greater Vancouver's role as Canada's Pacific Gateway continues to accommodate our trading potential through **significant capacity and capability enhancements, and the protection of vital industrial lands**.
- The GVBOT stresses the urgency of **expediting the process of replacing the George Massey Tunnel**, one of the most heavily congested bottlenecks in the region.
- The latest data from TransLink shows transit ridership reached an all-time high in 2018. An increasing population and a growing region intensifies the **need for sustained transit investment and planning to replace the gas tax fund**.
- Finally, to improve passenger choice and bring Greater Vancouver and British Columbia in line with every other major city region in North America, the Province should **immediately implement ridesharing** in B.C. While we have been waiting for years, the rest of the world has started using more new and innovative transportation options. The government should also work with stakeholders to **modernize the Motor Vehicle Act to include electronic bikes, e-scooters, and other forms of new mobility**.

### Housing

- An influx of new housing measures introduced by all levels of government have resulted in a significant slowdown in the housing market and uncertainty for home builders and the broader real estate sector. The cooling of B.C.'s housing market is reflected in falling B.C. home sales and prices since 2018. Unfortunately, the market response has resulted in a significant downward trend in housing starts. Between 2017 and 2018, apartment starts in Metro Vancouver decreased nine percent, falling from 17,498 to 15,888 in one year (this includes owned, co-op, and purpose-built

rental units). The decline in apartment starts intensified through 2018, as reflected in a 39 percent drop in apartment starts between Q4 2017 and Q4 2018 across the region<sup>1</sup>. The GVBOT warns that the implications of **declining housing starts will only intensify the pressure on the housing market and will worsen the affordability and availability issues** in the region and the province. The Province should work with the federal government on options to **facilitate more supply, especially rental**. Additionally, the Province should **alleviate pressure on the housing market by reviewing recently imposed tax measures to address unintended consequences and restoring predictability in the overall housing market**,

- GVBOT Members face mounting difficulties in retaining talent due to housing affordability challenges: 73 percent of our Members note their business' ability to recruit or retain employees has been affected by the cost of housing (91 percent among businesses with 50 or more employees). The GVBOT believes that appropriate solutions to alleviate the affordability crisis include **increasing and diversifying the supply of market, non-market, and rental housing in Greater Vancouver**.
- Review and reassess the efficacy of the additional School Tax's application to development properties and split assessments as well as the increase in property transfer taxes and the Speculation and Vacancy taxes costs to future homeowners and businesses.

### **Workforce and Skills Training**

- The GVBOT believes that government has an important role to play in preparing Greater Vancouver's and British Columbia's workforce for the economy of tomorrow. Labour shortages today across many occupations, together with a shift in needed occupations for the economy of tomorrow, **call for an emphasis on investment in trades and technologist training, and continued investment in training for STEM occupations**.
- The BC Provincial Nominee Program (PNP) Tech Pilot has proven a valuable mechanism for addressing the labour needs for technology and creative sectors with skilled immigration. The government could **consider making the Tech Pilot program, which is due to expire on June 2020, permanent**.

### **Fiscal Prudence**

- B.C. has enjoyed the benefits of a strong and growing economy for several decades. However, as global economies cool, global trade tensions escalate, and our housing

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<sup>1</sup> Rennie Group (2019). rennie landscape - Q1 2019. [online] Rennie.com. Available at: <https://rennie.com/rennie-post/rennie-landscape-q1-2019> [Accessed 7 Jun. 2019].

market loses steam, the GVBOT is concerned about the potential risks to the fiscal health of British Columbia.

- **Community Benefits Agreements** are a serious concern for the GVBOT and taxpayers. The first project under the model has already seen **severe cost escalation**, which will cut into funding that could be going towards other critical infrastructure projects.
- The GVBOT'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.

We look forward to the opportunity to work with you to further strengthen our provincial economy and meaningfully address the critical challenges outlined in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Iain J. S. Black". The signature is fluid and cursive, with the first name "Iain" being the most prominent.

Greater Vancouver Board of Trade, per;

Hon. Iain J. S. Black ICD.D  
President and CEO

## Appendix

Every year, in consultation with our Members and our Board of Directors, the Greater Vancouver Board of Trade (GVBOT) identifies priorities we believe should be addressed, and provide policy recommendations for the Provincial Government to undertake.

Based on consultation with our Membership and the findings of our [Greater Vancouver Economic Scorecard 2018](#), (the “Scorecard”) (which ranks the Greater Vancouver region against 19 other international metropolitan regions across 38 economic and social indicators<sup>2</sup>), we respectfully present the following recommendations as needed steps in ensuring that, in the face of a highly uncertain external setting, our Province is resilient and flexible, fiscally sound, economically competitive, and environmentally and socially responsible.

### 1. Business Competitiveness

Businesses face a myriad of impediments to growing their businesses: increasing regulatory burdens, transaction costs, and fixed and variable costs, such as corporate income taxes, minimum wage and the Employer Health Payroll Tax. The cumulative impact of taxes and regulations layered on businesses from multiple levels of government stifle economic growth as small and large job creators in B.C. reconsider making important decisions that would otherwise benefit the provincial economy. In light of higher costs and regulatory burdens, businesses will think twice before increasing their workforces, investing in new capital and equipment, or otherwise growing their businesses. Cumulatively all these taxes have significantly impacted small businesses.

B.C.’s pathway to a minimum wage of \$15.20 by 2021 causes financial stress to businesses, and could have adverse consequences for our workforce. All parties need to strive to find an appropriate balance for incomes to improve affordability, especially in expensive jurisdictions such as ours. However, minimum wage increases tend to apply financial pressure disproportionately on small businesses. Representing 98 percent of businesses in the province, the financial stress of incremental increases in the provincial minimum wage can discourage investment in people.

According to a GVBOT April 2018 survey, 50 percent of GVBOT members say they are likely to reduce their staff to address the wage increase<sup>3</sup>. Rising minimum wages tend to place upward wage pressure on employees making several dollars more per hour.

The Employer Health Payroll Tax adds another tax burden on businesses this year. 70 percent of GVBOT Members are impacted by the Employer Health Payroll Tax<sup>4</sup> and will pay,

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<sup>2</sup> The report, produced in partnership with the Conference Board of Canada ranks Greater Vancouver against its competitor city regions using a letter grade system. Boardoftrade.com. (2018). Scorecard 2018. [online] Available at: <https://www.boardoftrade.com/scorecard2018/assets/pdf/full-report.pdf> [Accessed 3 Jun. 2019].

<sup>3</sup> Business association survey conducted by Mustel Group in partnership with GVBOT, April 2018.

<sup>4</sup> Business association survey conducted by Mustel Group in partnership with GVBOT, April 2018.

on average, more than \$143,000 annually<sup>5</sup>. This includes businesses and charities. Of the businesses with fewer than 50 employees, the average annual cost is \$32,424<sup>6</sup>. Further, as the tax took effect in January 1, 2019 while MSP premiums remain in place until 2020, 40 percent of GVBOT member businesses that currently cover the premiums for their employees are double taxed for all of 2019. This has led to an average increase in employee health costs between 2017 and 2019 of \$78,744<sup>7</sup>. Isolating small businesses, GVBOT found between 2017 and 2019, the change in employee health costs has led to an increase of \$7,795 on average<sup>8</sup>.

In response to the cost increases resulting from the new Employer Health Payroll Tax, more than a third (36 percent) of GVBOT respondents will either reduce staff (18 percent) or reduce benefits (18 percent)<sup>9</sup>. The impact of these actions could have a material impact on our economy.

The GVBOT is monitoring closely the review of the current WorksafeBC (WSBC).<sup>10</sup> While some improvements to the system could be made, there should be broad recognition that the system is functioning well and, seen in totality, compares favourably to peer jurisdictions in North America. Especially given the tax increases noted above, it is critical that the government be mindful of the impact on employer premiums and compliance costs when undertaking the review. The GVBOT will be responding more fully as part of the review process.

## Recommendations

1. Take steps to encourage a competitive tax environment, by:
  - a. Reviewing the Employer Health Tax to minimise its impact on small business:
    - i. Raise the Employer Health Tax minimum payroll threshold for tax eligibility for small and medium-sized enterprises from \$500,000. The minimum threshold should be based on a formula that takes account of the average payroll of small businesses (defined in B.C. as having fewer than 50 employees), with reference to examples of the other provinces who have similar employer health payroll tax schemes.
2. Take a leadership role in reducing inter-municipal trade barriers for small and medium sized businesses, including encouraging the wide scale adoption of multi-jurisdictional business licensing.

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<sup>5</sup> GVBOT member business survey, May 2019.

<sup>6</sup> Business association survey conducted by Mustel Group in partnership with GVBOT, April 2018.

<sup>7</sup> GVBOT member business survey, May 2019

<sup>8</sup> Ibid.

<sup>9</sup> Business association survey conducted by Mustel Group in partnership with GVBOT, April 2018.

<sup>10</sup> Ministry of Labour (2019). *B.C.'s workers' compensation system under review*. [online] News.gov.bc.ca. Available at: <https://news.gov.bc.ca/releases/2019LBR0003-000557> [Accessed 13 Jun. 2019].

3. The Province should recognize that British Columbia's current workers' compensation system is not broken and ensure that any changes or new policies and regulations that result from the review of WorksafeBC do not unduly impact future employer premiums or regulatory compliance costs.

## **2. Transportation and the Gateway**

In the [Regional Export Framework](#) by the World Trade Centre Vancouver, a subsidiary of the GVBOT, the analysis considered the impact of the Gateway on the provincial economy. It was estimated that the B.C. Gateway supports over 248,000 jobs in British Columbia, produces \$27.5 billion in GDP for the Province, and contributes \$2.7 billion to provincial tax revenue.

However, there are significant bottlenecks in our trade corridors and infrastructure that threaten to impede the prosperity and growth of Canada's Pacific Gateway.

### **Trade-Enabling Infrastructure and Land**

Greater Vancouver remains a crucial entrepôt for Canadian goods and services exports to increasingly significant overseas markets. It is a priority of the GVBOT that Greater Vancouver's role as Canada's Pacific Gateway continues to accommodate our trading potential through significant capacity and capability enhancements in the gateway and through the protection of vital industrial lands. The adequate and sustainable development of gateway infrastructure and protecting the stock of industrial land – particularly in light of growing pressures from residential and retail – are critical to our country's economic competitiveness and to secure Greater Vancouver's burgeoning role as a gateway.

The GVBOT stresses the urgency of expediting the review process of the George Massey Tunnel, one of the most heavily congested bottlenecks in the region. In the fall of 2017 the Province cancelled construction of a 10-lane, \$3.5-billion bridge to replace the 59-year-old Massey Tunnel and commenced further consultations and a process of developing a new business case, which is expected in fall 2020. The GVBOT is concerned that the new potential timeline for the completion of a new crossing could be as late as 2030, particularly if further feasibility studies are required. GVBOT urges the Province to build upon completed technical studies and environmental reviews to ensure the Massey Tunnel replacement project commences without further delay.

As Metro Vancouver is presently undergoing a review of industrial lands, the GVBOT notes the wide acknowledgement among operators and local government representatives that the supply of industrial land is already at critically low levels. Metro Vancouver forecasts the region could run out of available industrial land by 2038, and embeds the protection of

industrial land in its Regional Growth Strategy 2040.<sup>11</sup> We encourage the Province to work with local governments to aggressively pursue an integrated industrial land protection strategy. To protect our position as a robust, efficient, and sustainable gateway, protection of these lands must be coupled with projects such as the Massey Tunnel Replacement and increased cargo transport corridors through the region. The GVBOT urges the Province to work with its municipal counterparts and affected stakeholders on productive solutions.

## Transit and Road

Recent TransLink data shows transit ridership is growing steadily and reached an all-time high in 2018. An increasing population and a growing region intensifies the need for sustained investment and new revenue.

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 GVBOT's Scorecard finds that the region currently lags in this area, earning only a "C" grade for its proportion of non-car commuters and a "B" for its average commuting time.<sup>12</sup>

More generally, there are worsening bottlenecks in the movement of goods and people in our region. The Massey Tunnel Replacement Project and the Millennium Line Broadway Extension to UBC are two critical projects in the Greater Vancouver region that warrant expedited action. We encourage the Province to work with other levels of government, private sector operators, and users to develop a sustainable funding strategy to guarantee long-term stability in the financing of crucial projects. This is particularly imperative as Translink embarks on its Transportation 2050 initiative.

To alleviate bottlenecks, improve passenger choice, and bring Greater Vancouver and British Columbia in line with every other major city-region in North America, the Province should immediately implement ridesharing in British Columbia.

While we have been waiting for years, the rest of the world has started using more new and innovative transportation options. The government should also work with stakeholders to modernize the Motor Vehicle Act to include electronic bikes, e-scooters, and other forms of new mobility. The GVBOT is encouraged to see that the government is beginning to take steps in this direction through B.C.'s new Active Transportation Strategy, Move. Commute. Connect.

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<sup>11</sup> Metro Vancouver (2019). *Metro Vancouver 2040 Shaping Our Future, Regional Growth Strategy*. [online] Metrovancouver.org. Available at: <http://www.metrovancouver.org/services/regional-planning/PlanningPublications/RGSAadoptedbyGVRDBoard.pdf> [Accessed 3 Jun. 2019].

<sup>12</sup> Boardoftrade.com. (2018). Scorecard 2018. [online] Available at: <https://www.boardoftrade.com/scorecard2018/assets/pdf/full-report.pdf> [Accessed 3 Jun. 2019].



## Recommendations:

1. Build on the momentum from the Mayors' Council Phase 2 transit funding with continued and sustained investment in road and transit expansion and improvements, with projects such as:
  - a. The urgent replacement of the George Massey Tunnel on the fastest timeline possible and that builds on previously conducted research, particularly completed environmental studies; and
  - b. The Broadway Millennium Line extension to the University of British Columbia.
2. The GVBOT recommends the Government of British Columbia work with local governments to implement a new provincial regulatory framework that introduces ridesharing immediately and provides residents with greater access to safe and reliable passenger transportation options
3. The GVBOT recommends the government to review the Motor Vehicle Act to include emerging active transportation modes, such as electric bikes, scooters, and skateboards.

### 3. Housing

Thirty-nine percent of GVBOT members believe 'Affordable Housing' is the most important business issue they are facing and 37 percent of respondents have considered relocating away from Greater Vancouver due to affordability concerns.

An influx of new housing measures introduced by all levels of government have resulted in a significant slowdown in the housing market and uncertainty for home builders and the broader real estate sector. The cooling of B.C.'s housing market is reflected in falling B.C. home sales and prices since 2018. Unfortunately, the market response has resulted in a significant downward trend in housing starts: In Q1 – 2019 Greater Vancouver has seen 75 percent fewer units released and just over one-third of projects launched compared to the previous quarter (see Chart 1)<sup>13</sup>. According to the B.C. Budget 2019, housing starts in the province are expected to continue to decline by over 40 percent by 2020, compared to 2017 figures (see Table 1). As our population continues to grow, the GVBOT is concerned that declining housing starts in the short term will only intensify the pressure on the housing market and will worsen the affordability and availability issues in the region and the province in the long term.

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<sup>13</sup> Urban Analytics. (2019). Metro Vancouver UA Take – First Quarter 2019: Market on Pause....Sort of. Urbananalytics.ca. [Accessed June 20, 2019].

**Chart 1: YTD Released Product and Unit Sales<sup>14</sup>**

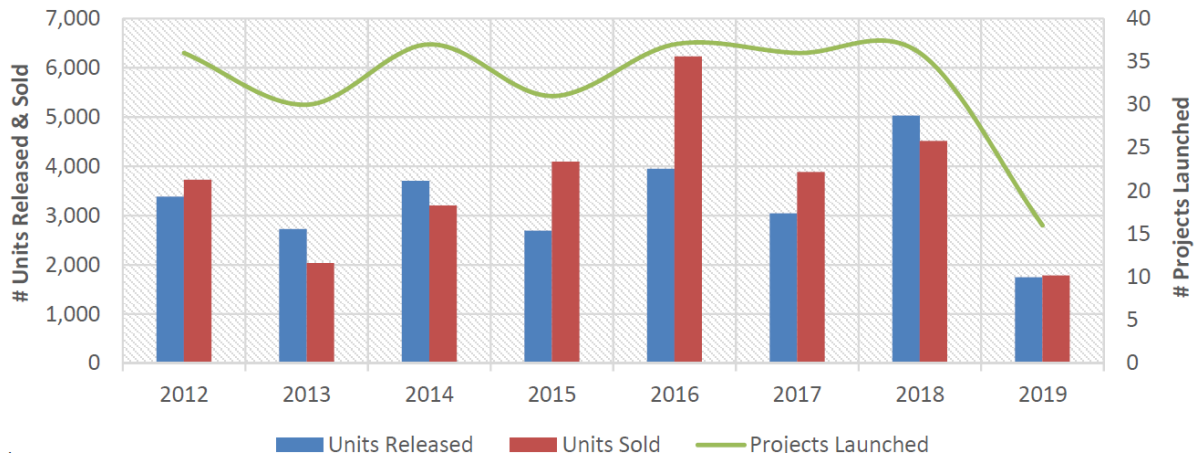


Table extracted from Urban Analytics, Metro Vancouver UA Take – First Quarter 2019: Market on Pause....Sort of

**Table 1: B.C. Housing Starts<sup>15</sup>**

	2017	2018	2019*	2020*	2021*	2020*
<b>Housing Starts (units)</b>	43,664	40,857	34,015	31,846	30,517	30,519
<b>% Change</b>	4.4	-6.4	-16.7	-6.4	-4.2	0

\* Forecast

Table generated from BC Budget 2019, Table 3.6.2 Selected Nominal Income and Other Indicators: British Columbia

The strain on housing supply is escalating as recent data reveals that housing starts are falling significantly while population and immigration estimates continue to rise. GVBOT Members already face mounting difficulties in retaining talent due to housing affordability challenges: 73 percent of our Members note their business' ability to recruit or retain employees has been affected by the cost of housing (91 percent among businesses with 50 or more employees). This will only worsen with fewer housing options.

The GVBOT believes that most of the appropriate solutions to alleviate the affordability and availability pressures require all levels of government to concentrate their efforts on increasing and diversifying the supply of market, non-market, and rental housing in Greater Vancouver. B.C. Housing programming and the bilateral agreement with B.C. Housing have made good strides in this regard.

<sup>14</sup> Urban Analytics. (2019). Metro Vancouver UA Take – First Quarter 2019: Market on Pause....Sort of. Urbananalytics.ca. [Accessed June 20, 2019].

<sup>15</sup> Bcbudget.gov.bc.ca. (2019). BC Budget 2019. [online] Available at: <https://www.bcbudget.gov.bc.ca/2019/download.htm> [Accessed 7 Jun. 2019].

There is a distinct need for rental housing in our region. Provincial actions, such as limiting the allowable rent increases to the cost of inflation and implementing the Additional School Tax (School Tax), the Luxury Property Transfer Tax (the 5% PTT), the Speculation and Vacancy Tax, and the Foreign Buyer Tax (FBT), make building new purpose built rental less economic. The AST and PTT substantially increase the taxes on development lands, including those designated for new rental buildings, increasing the cost of new housing and rental units when the property is eventually developed. To avoid a further decline in housing starts, the Province should exempt development lands from the AST and the PTT to incent the construction of new housing and rental, and ease the mounting pressure on the housing market.

The Province should review the recently implemented housing measures to address increasing uncertainty and unintended consequences such as the scenario described above. Another example involves Tuesdays Fine Drycleaners, who received notice that since the property is subject to a split assessment, the property will be subject to the School Tax for the air space above the store and the Speculation and Vacancy Tax because the air space is undeveloped<sup>16</sup>. The result of many policy actions noted above will be to increase the costs for future homeowners or businesses such as Tuesdays Fine Drycleaners, instead of making housing more affordable.

Finally, the Province should focus on long-term solutions and continue to work with municipalities to make construction of rental a feasible undertaking. Similarly, the focus of the Development Approvals Process Review should be to ensure that permitting processes support timely and efficient approvals, while maintaining good planning practices.

### **Recommendations:**

1. Review recently implemented tax measures to take account of unintended consequences and take steps to restore predictability in the overall housing market, through measures such as:
  - a. Exempting development lands from both the Additional School Tax and the Luxury Property Transfer Tax to incent the construction of new housing and rental units; and
  - b. Exempting undeveloped airspace above properties subject to a split assessment from the Additional School Tax.
2. Establish a smart regulatory environment that encourages greater supply and diversity of market, non-market, and rental housing in Greater Vancouver;
3. Work with municipalities to:
  - a. Implement provincial standards to remove barriers to development, such as inconsistent, lengthy, and opaque permitting processes, particularly;

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<sup>16</sup> Vancouver Sun. (2019). <https://vancouversun.com/news/local-news/tentative-dan-fumano-column-on-new-property-taxes>

- i. Ensure transparent and accountable assessment of traditionally hidden municipal taxes that impact housing costs such as DCCs and CACs.

#### **4. Workforce and Skills Training**

The GVBOT believes that Government has an important role to play in preparing Greater Vancouver's and British Columbia's workforce for the economy of tomorrow.

B.C. is already participating in some notable efforts to ensure future labour needs are met, such as: Canada's digital supercluster, encouraging digital literacy, teaching coding in schools, and some support for STEM occupations. However, labour shortages today across many occupations, together with a shift in needed occupations, call for continued action on developing essential skills for the jobs of tomorrow, connecting academic skills with practical experiences, strengthening career pathways for all groups, and attracting global talent.

Investments in STEM education will ensure we are developing the essential skills for the jobs of tomorrow. British Columbia has a booming technology sector with Vancouver at its centre. The sector has over 10,000 companies and employs more than 106,000 people. We acknowledge the Government's investment of \$4.4 million over the next five years into postsecondary institutions to increase the number of STEM students. Such investments are necessary to address the anticipated labour shortages in the tech sector, a shortage that will amount to 30,000 workers by 2021 and will worsen as growth in employment in STEM occupations outpaces any other occupation in the province over the next decade. The B.C. Provincial Nominee Program (PNP) Tech Pilot provides dedicated and expedited service for the technology and creative sectors to fill their labour needs with skilled immigration. This successful program has helped B.C. businesses in the technology, digital media, and film/television sectors, among others, access skilled international talent to support their growth. Despite a strong track-record and the sustained need for access to talent, the program is set to expire in June 2020. The B.C. PNP Tech Pilot should be made a permanent feature of the B.C. PNP to ensure continued action on attracting global talent.

#### **Recommendations:**

1. Support B.C.'s current and future labour needs by continuing to:
  - a. Develop and invest in the essential skills of tomorrow, such as sustained support and investments in STEM education and trades training;
  - b. Connect academic skills with practical experiences to encourage real-world experiences and to help young people enter the workforce;
  - c. Strengthen career pathways, particularly for underrepresented groups; and
  - d. Attract global talent and high-skilled immigrants by considering to make the B.C. PNP Tech Pilot program permanent, as it is due to expire in June 2020.

## 5. Fiscal Prudence

The GVBOT is concerned about the potential risks to the fiscal health of British Columbia. We strongly emphasise that the Government present a viable fiscal plan that includes a route to credibly preserve the Province’s balanced budget, without increasing tax measures for business. The GVBOT noted that there have been few meaningful initiatives to fuel productivity, competitiveness, and economic growth.

### Procurement of Public Infrastructure

The Province’s new framework for developing public sector infrastructure projects presents challenges to responsibly managing the public accounts. In particular, the GVBOT is concerned about the risk of escalating costs resulting from the Government’s new Community Benefits Agreement (CBA) approach to public project development.

Already taxpayers are seeing severe cost escalation of projects under the new model, which cuts into funding that could be spent on getting other critical infrastructure projects built. The four-laning and other improvements to the two-kilometre section of the Trans-Canada Highway along the Illecillewaet River, east of Revelstoke will cost taxpayers an additional \$22.3 million<sup>17</sup>. The B.C. Transportation Ministry estimated the total project cost at \$62.9 million in February 11, 2019. This has soared to \$85.2 million in three months<sup>18</sup>. The government has affirmed the GVBOT’s concerns by attributing this increase to “escalating costs of materials, *labour* and the complexity of the work required”<sup>19</sup>.

The restrictive arrangements embodied in the Community Benefits Agreement – which amount to “Project Labour Agreements” – are estimated to eliminate roughly 85 percent of construction workers who are not affiliated with the traditional building trades unions from working on such projects<sup>20</sup>. This is particularly punitive as B.C. is in the midst of a construction labour shortage. By reducing the degree of competition in public sector contracting, the model does not guarantee the most cost-efficient procurement practices. This approach will cause further projects to be more expensive and cumbersome, and costs will likely be passed on to taxpayers, just like the Trans Canada Highway. The current extension of the Broadway Subway project is estimated to cost \$2.83 billion. A similar percentage increase in costs as the Trans-Canada project would balloon the costs to \$3.83 billion or \$1.0 billion in additional costs. In terms of scale, that is the equivalent of 72 percent

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<sup>17</sup> Province of B.C. (2019). Illecillewaet four-laning project goes to tender. [online] Archive.news.gov.bc.ca. Available at: [https://archive.news.gov.bc.ca/releases/news\\_releases\\_2017-2021/2019TRAN0010-000202.htm](https://archive.news.gov.bc.ca/releases/news_releases_2017-2021/2019TRAN0010-000202.htm) [Accessed 7 Jun. 2019].

<sup>18</sup> Province of B.C. (2019). Contract awarded for Illecillewaet Highway 1 widening. [online] Archive.news.gov.bc.ca. Available at: [https://archive.news.gov.bc.ca/releases/news\\_releases\\_2017-2021/2019TRAN0072-000966.htm](https://archive.news.gov.bc.ca/releases/news_releases_2017-2021/2019TRAN0072-000966.htm) [Accessed 7 Jun. 2019].

<sup>19</sup> Ibid.

<sup>20</sup> ICBA. News Release: ICBA Leads Worker Challenge to NDP Union-Only Hiring Model. <https://www.icbaindependent.ca/2018/08/28/news-release-icba-leads-worker-challenge-to-ndp-union-only-hiring-model/>. [Accessed 16 Jun. 2019]

of the projected cost of the Pattullo Bridge replacement or nearly three years of province-wide public transportation (TransLink, B.C. Ferries, etc.) operating expenses<sup>21</sup>.

### Preserving our Strong Fiscal Setting

In 2019-2020 B.C.'s debt servicing costs are estimated at \$2.8 billion, representing almost five percent of operating expenses, more than the amount budgeted for transportation (3.9 percent), natural resources and economic development (4.4 percent), and almost half of what has been budgeted for social services and housing (9.9 percent)<sup>22</sup>. On a per capita basis this amounts to \$553 per person in British Columbia. Transportation allotment per person amounts to \$455 per person. Servicing debt requires the government to raise funding from raising taxes, cutting services, or deferring investment in the economy.

The GVBOT recognizes that B.C.'s taxpayer-supported debt-to-GDP ratio and AAA credit rating compare favourably to those of the other big Canadian provinces. It is in the long term benefit of society to safeguard this enviable position through the prudent management of finances and decision making that is based on the broader macro economic situation of the province, particularly in light of a slowing economy and an ageing population, which are exposing our fiscal health to vulnerabilities.

### Recommendations:

1. In the context of the broader macro economic situation and impending budgetary challenges posed by an ageing local population, the Province should ensure prudent management of finances and decision making to control taxpayer-supported debt and protect the financial health of the B.C. economy to the long term benefit of society.
2. Concerning procurement of public infrastructure:
  - a. We advise the Government to repeal the CBA/PLA model and instead implement an approach that seeks to reduce project risk and provide value for taxpayers.

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<sup>21</sup> Province of B.C. (2019). Ministry of Transportation Service Plan. <https://www.bcbudget.gov.bc.ca/2019/sp/pdf/ministry/tran.pdf>. [Accessed 19 Jun. 2019]

<sup>22</sup> Bcbudget.gov.bc.ca. (2019). *BC Budget 2019*. [online] Available at: <https://www.bcbudget.gov.bc.ca/2019/download.htm> [Accessed 7 Jun. 2019].