GREATER VANCOUVER
BOARD OF TRADE

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DELIVERED VIA E-MAIL: chrystia.freeland@canada.ca;

Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Re: GVBOT Federal Pre-Budget Submission in Advance of Budget 2021-22

On behalf of the Greater Vancouver Board of Trade (GVBOT) and our 5,000+ Members, we would like to express our appreciation for the continued efforts and steps the Government of Canada has been taking since the onset of the Global Health Pandemic. Individuals and businesses are faced with some of the most difficult circumstances faced in a generation and the measures your government is taking will meaningfully contribute to the economic recovery of our country. Collectively, the business community here in Metro Vancouver and across the province has been proactive in seeking to follow all the public health guidelines, new safety protocols, including making the necessary investments required to do so. Our members take to heart their duty to their employees, customers, and the broader community and have done their best to help prevent the spread of COVID-19 while also seeking to support economic recovery.

We are at a pivotal point where we can see the light at the end of the tunnel as the vaccines are rolled out across the country and case numbers begin to stabilize in some regions like BC. At the same time the path to recovery and rebuilding our economy is all but certain. 62 percent of businesses that participated in a recent GVBOT Member survey report decreased sales volumes since the onset of the pandemic and almost half (48%) expect lower revenues still in the next three to six months. Our recovery will also challenge us to navigate unprecedented levels of debt, deserted urban centers, hampered entrepreneurial spirit and diminished consumer confidence. While the pandemic stopped us in our tracks we must now take bold action to rebuild our economy, address critical but challenging defining issues and build upon our strengths to bring prosperity to all Canadians.

The GVBOT respectfully submits the following recommendations to the Government of Canada for consideration in the 2021-2022 Federal Budget. The recommendations from the Board fall into three categories: People, Investment, and Transformation.

Sincerely,

Greater Vancouver Board of Trade, per;

Bridgitte Anderson
President and Chief Executive Officer
Greater Vancouver Board of Trade

People

Canada's economic recovery will require us to put people first, which entails making the investments that secure the health and safety of Canadians while redoubling efforts to get people back to work and strategically preparing and investing in the workforce for tomorrow. In this way we can ensure that Canadians are safe and can find meaningful employment today while we prepare, plan and invest for a competitive and prosperous Canada post-pandemic.

Public health

In planning the economic recovery of Canada, our top priority is ensuring that efforts are being made to avoid circumstances that would lead to another lockdown situation or significant outbreaks that overwhelm our health system. This will require **making the necessary investments in public health, including testing and vaccination capacity, infrastructure, and other measures to ensure our resilience, the safety of all citizens, and to support the viability of businesses and the economy if a second wave were to come.** The success of our economic recovery will be primarily driven by the success of the vaccine roll out and our overall ability to combat the virus.

As work continues and is being advanced earnestly on maintaining local capacity for public health, we urge you **to consider the regionality of those investments as well as the great companies and sector we have in BC.** BC is a leader in this area with great companies making meaningful contributions. In the Greater Vancouver region companies like bioLytical working on rapid testing, AbCellera working on antibody treatments (which recently received US FDA Emergency Use Authorization as a monotherapy for the treatment of COVID-19)[i], Lifelabs and Telus Health can work alongside and support our frontline health care workers and administrators to continue to innovate, fight COVID-19, build resilience and keep Canadians safe. Now is the time to build on the momentum brought on by the pandemic and **capitalize on the health sciences cluster and its innovative companies to secure BC and Canada's position as a global leader in this area.**

Workforce

Preparing the workforce for the digital transformation

As we near a year of the health pandemic, the emphasis on technology and the role it will play in our recovery and future economy is becoming increasingly pronounced. It is essential that efforts are made to **ensure that our workforce is keeping up with the digital transformation and evolving in tandem with the evolution of the nature of future jobs**. A digital transformation requires an education transformation. It is also crucial that the **government works with the private sector to promote greater equity in access to technology.**

Ensuring access and ability to participate in post-secondary institutions

Measures that **enable Canadian students to access, attend and participate in post-secondary institutions** will help foster future productivity levels while absorbing excess capacity at postsecondary institutions. **Providing students with the tools to access post secondary institution programs, working together and in collaboration with the private sector and provinces to secure funding for laptops and cellular sticks to access the internet are some measures the Government could consider.** Additionally, efforts to **support recent graduates navigate and access a difficult labour market** will help mitigate the potential of a “lost generation”.

Training, re-skilling and micro-credentials

Measures to train, educate, re-skill and support our workforce will meaningfully reinforce our economic recovery and underpin our future competitiveness. It will be important that these measures can be **implemented quickly and that programs are short and/or condensed, are cost effective and can be done while on the job.**

In February 2021, BC Government announced a four-million-dollar investment ($2 million from the Province and $2 million through the Canada-BC Workforce Development Agreement) in the development and implementation of high-demand micro credentials, which serve as an expedited option for employees to upskill or shift focus to find their place in the labour market. This initiative will not only help Canadians whose employment has been impacted by COVID-19 to re-enter the workforce, but it will help them get ahead by attaining the skills our economy will increasingly need in the future. We encourage the Government to **continue its efforts in supporting and expanding micro-credentials so more Canadians can take advantage of opportunities in high-demand sectors.**

Attracting and retaining a highly skilled workforce

Canada’s high-quality workforce is a foundational strength that we must leverage as we consider how our country will recover. The quality of our scientific research institutions and availability of scientists and engineers score within the top 10 globally. If Canada were able to leverage its research institutions and skilled workforce in collaboration with public and private sectors, there would likely be a promising path to recovery and global competitiveness. Importantly, Canada must create an environment in which businesses are able to retain top talent and attract highly skilled international workers.

We are witnessing a widening gap between the skills needed by our Member businesses and those available in our workforce. Employment in science, technology, engineering and math (STEM) occupations is expected to grow faster than occupations as a whole in B.C., at an annual average rate of 1.8 and 1.1 per cent respectively between 2017 and 2027. It is estimated that B.C.’s tech sector will face a shortage of 30,000 workers by the end of this year[ii]. To build the economy for the future, we first need the workers of the future. The latest census statistics suggest that only 24.8 per cent of Canada’s postsecondary graduates were from STEM fields[iii]. Furthermore, within this group, women were severely underrepresented. There is a need to **ensure we are both producing and attracting workers in STEM fields and that more women are represented in the field.**

We are particularly concerned about the extent to which the difficulty of retaining human capital will stunt investment in – and expansion of – the tech industry, a key driver of economic growth and innovation in Canada, and particularly within our region. Initiatives such as Canada's Digital Supercluster will help foster prosperity, however, **long term growth is dependent on the region's ability to affordably house and retain talent. Additionally, having a competitive tax system is one key determinant, alongside job growth opportunities and other factors, to being able to recruit and retain talent.**

A workforce to support infrastructure projects

GVBOT Members are also concerned about the availability of talent in trades and construction. Large infrastructure projects such as LNG Canada and Site C require an extensive and skilled workforce. Attracting and retaining labour in B.C. is an increasing challenge. **We call on the Government to work with other levels of government and industry to ensure that there are the appropriate training and workforce mobility policies in place as large projects advance in the province and across Canada.**

Indigenous Reconciliation

Indigenous youth represent the fastest growing source of labour in the country and will continue to do so in the future. According to The National Indigenous Economic Development Board significant challenges remain:

- In 2015-16, Indigenous youth represented 35 percent of all youth admissions to correctional services. This represents an increase from 2014-2015 when Indigenous youth represented 33 percent of admissions.
- Indigenous children made up 7.7 percent of all children under the age of 15 in 2016 but accounted for 52.2 percent of children in foster care in private homes.
- Regarding domestic violence, the 2014 General Social Survey (GSS) found that 40 percent of Indigenous respondents said they were physically or sexually abused as children, in contrast to 29 percent of non-Indigenous people who reported family violence.
- Suicide among First Nations youth (aged 15 to 24 years) across Canada is five to six times higher than among non-Indigenous youth.[iv]

Even prior to the pandemic, Indigenous people and youth have also been historically underrepresented in British Columbia's workforce. Indigenous youth aged 15 to 24, other than Métis, continued in 2016 to show deficit employment indicators (employment rate, participation rate and unemployment rate) compared to non-Indigenous youth the same age. Specifically, First Nations youth on reserve experience significantly worse employment indicators than other groups, with an employment rate of 17.1 percent, a labour participation rate of 28.9 percent, and an unemployment rate of 40.8 percent. The comparable rates for non-Indigenous youth are 52.8 percent, 62.1 percent and 12.4 percent, respectively.[v]

We recommend that the Government **continue to work with the Government of BC and the private sector to improve employment outcomes for Indigenous peoples.**

First Nations, as well as Indigenous entrepreneurs also lack access to capital. At the same time, BC's economy is reliant on the ability to attract investment in our natural resource and infrastructure sectors. The vast majority of those projects impact the traditional territories of First Nations in some way. Many

First Nations have not been able to benefit or become partners in the provincial economy. One of the main precluding factors of First Nations' participation is access to capital at reasonable rates, available to the Province of BC and to municipalities. The First Nations Major Projects Coalition has proposed a Revolving Loan Facility, which would utilize the existing strength and safeguards of the First Nations Finance Authority to provide low-cost capital for equity participation in projects affecting First Nations' traditional territory. We recommend that the Government **consider the First Nations Major Projects Coalition's proposal for a Revolving Loan Facility, in conjunction with the private sector and other orders of government, to provide greater access to affordable capital to enable broader Indigenous participation in the economy. The Government should also continue to promote the services of the First Nations Finance Authority and First Nations Financial Management Board.**

Investment

Beyond recovery, the future prosperity of Greater Vancouver is contingent upon foundations laid today. Our region needs strategic investments that help our businesses and the broader society overcome the pandemic while also paving the way for longer term competitiveness, including meaningful action to establish a fiscally sound macroeconomic environment, addressing an overly complex tax system and improving the regulatory environment.

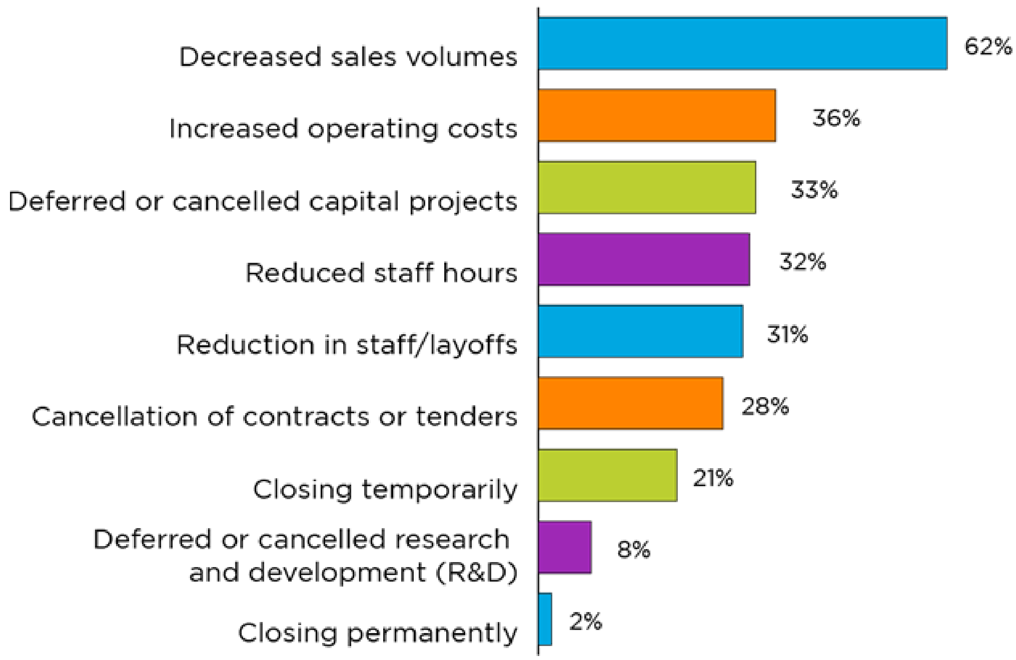
Making the investments that help position Canada as an attractive place to live, invest and do business should be top of mind when considering how we might rebuild our economy to be better than pre-pandemic. Investments in transit and transportation infrastructure will help create jobs and support our recovery in the short term, while preparing our economy for long term growth. Additionally, injecting targeted funds into growth drivers for the economy, such as the gateway and travel sectors, will help maximize recovery investments.

Fiscally sound foundations

Governments have taken unprecedented fiscal and monetary action to support people and business during these times. The GVBOT appreciates the Government's efforts to provide timely support during the pandemic and recognizes that programs had to remain broad and far-reaching to minimize the number of individuals and businesses that fell between the cracks. While revenues will be hit hard for some years and Canadians and businesses will require additional support, we must **ensure that support programs and new investments are laser focused on those individuals and industries that require support, provide good value for money and make our country more productive.**

A recent GVBOT survey of its members found that many businesses have been - and continue to be - significantly impacted by COVID-19 and rely on government support to survive. According to the survey, 62 percent of businesses are still experiencing decreased sales volumes as a result of the pandemic and only 49 percent of businesses expect to return to business as usual when government support ends. There are 4,400 fewer businesses in the Greater Vancouver region since the onset of the pandemic and many businesses are holding on thanks to initiatives such as the Canada Emergency Wage Subsidy.

COVID-19 Impact on Greater Vancouver Businesses



Source: GVBOT Member survey January 2021

On the other hand, it has become evident that certain areas of the economy were more insulated than others, proving resilient or more favorably positioned to overcome and emerge from the depths of the pandemic-induced impacts. With a federal deficit forecasted at upwards of $380 billion for 2020-21, Canadians were fortunate that the Government had the available fiscal capacity to provide relief. Moving forward, it is crucial that COVID-related spending is temporary and focused only on those that are in need of support/where support can be effective. **The clear pronouncement of a fiscal anchor to guide the government's decision-making moving forward** would be welcome, even as there continues to be uncertainty.

We believe that **the $70 to $100 billion that was set aside in the fall fiscal must be targeted, focused, and have a clear economic rationale**. Corporations, and especially small businesses, and provinces both have taken on additional debt and may be less likely to have the capacity to partner on initiatives or new planned spending.

Tax competitiveness and simplification

We applaud the Government on the progress it has taken to improve tax competitiveness through initiatives such as the 'Accelerated Investment Incentive' and tax write-offs targeting the manufacturing and clean energy sectors. This will have a positive effect on Canada's marginal effective tax rate, which the GVBOT raised concern about in Scorecard 2018.

Tax simplification and review

However, the GVBOT remains concerned about the overall complexity of the Canadian tax system, especially at a time when businesses and individuals are already grappling with the additional burden and complexity brought on by the pandemic. Highly complex and wide scoping tax measures have the potential to create uncertainty with respect to routine business transactions and increase the administrative burden on taxpayers. This disproportionally affects small businesses. **The GVBOT calls for greater tax simplification while maintaining a broad base, which could lead to a less complex and more fair system for all taxpayers. Tax system simplification, reducing the administrative burden and competitiveness should be included as key objectives in the government's review of Canada's tax regime.**

Competitive tax policy for recovery and growth

As we turn the page in this pandemic and begin the hard work to rebuild our economy, it is crucial that **tax policy supports and encourages economic activity and growth** instead of deterring it. This is particularly important in light of the significant accumulated national debt and the temptation to pay it down through increases to the marginal tax rate or otherwise, which would deter investment activity and harm our competitiveness at a time when the world is competing for vital recovery dollars.

Additionally, it is critical that we **maintain a competitive tax structure to attract and retain talent**, especially in light of the new US administration which is posed to take a more friendly approach when it comes to immigration policy and foreign workers. Our leadership talent will play a critical role in leading the businesses through recovery, jump starting economic activity and garnering business growth, and a competitive and attractive tax environment will help ensure we attract and retain the talent required to navigate these uncertain economic conditions.

It is imperative that the **Government take a "do no harm" approach by refraining from adding to the financial burden on businesses and exploring options for peeling back the layers of taxes and fees already imposed.**

Ensuring a climate for infrastructure investment to build gateway resilience and capacity

Canada's gateway sector is a key driving force for the nation's economy, facilitating the movement of Canadian goods across the country and to international markets. **Improving the climate for infrastructure investment in Canada's gateway sector is imperative** to address the growing pressures and demands on the sector, support the needs of our growing economy, ensure resilience to protect the nation from future economic shocks and to enhance our competitiveness in light of the recent U.S. tax reform[1][vi]. Further, enhancing the investment climate for gateway infrastructure will allow for private capacity enhancing investments that in turn support the whole national supply chain and economic recovery process.

[1] In the United States, in 2017, the *Tax Cuts and Jobs Act* reduced the federal statutory corporate tax rate for U.S. companies from 35% to 21%, while the Base Erosion and Anti-Abuse Tax (BEAT) minimum tax increased costs for Canadian railways. This provision forces U.S. entities to pay the BEAT on payments made to foreign affiliates, without a corresponding offsetting credit or deduction for the equivalent amount of BEAT paid in the U.S.

Canada is a trading nation and the importance and relevance of trade is only expected to grow; the Government's 2018 Fall Economic Statement set the target of increasing Canada's overseas exports by 50 per cent by 2025[vii]. Implementing mechanisms that encourage investments in Canada's gateway sector will help expand the capacity and efficiency of our trade enabling infrastructure, which will be critical as our country prepares for economic recovery and beyond to prosperity. We encourage the Government to **continue working with gateway industries and stakeholders to explore a policy framework, including tax measures, to incent investment in necessary capacity enhancing gateway infrastructure.**

A competitive tax regime for gateway infrastructure - a lens on rail

The onset of 2020 highlighted the national importance of railways and the gateway. Rail blockades resulted in hardships that were felt across the country as the movement of vital goods to and from communities across the country were brought to an abrupt halt. Our current reality has increased the awareness and appreciation for a robust gateway sector and the importance of maintaining the fluidity of global supply chains. The health pandemic has drawn attention to the essential service that our trade corridors and broader gateway industries provide, as they facilitated continued access to essential goods such as food and personal protective equipment (PPE) throughout the pandemic. The gateway sector was also a critical enabler of core parts of Canada's export economy that were among the brighter elements of an economy that faced many challenges overall.

As recent U.S. tax reforms have altered the competitive landscape in North America, tax changes in Canada must ensure that the rail section and investment in rail infrastructure remains competitive. An important manner in which this can be achieved is through accelerated depreciation on capital investment. This significant measure would ensure that railways continue to make investments that improve safety, environmental performance, and enhance capacity to meet the needs of customers and the Canadian economy. Therefore, the GVBOT recommends that the Government **enhance the depreciation regime for rail infrastructure investment to promote greater investment in rail infrastructure, to support Canada's competitiveness as a trading nation, and to meet the needs of the growing national economy and trade volumes.**

Ease the regulatory burden

In a recent GVBOT study, the majority of businesses said reducing the administrative burden or making regulations more efficient would be the most helpful government initiatives to help them recover from COVID-19.

Canada's regulatory system is an enigma composed of complex, overlapping rules that are costing our economy and stifling business, opportunity and growth. Death by 130,000 Cuts: Improving Canada's Regulatory Competitiveness, by the Canadian Chamber of Commerce finds that Canada's regulatory system consists of overly cumbersome and costly rules that create an enormous cumulative regulatory burden and hinder the business environment[viii]. Inefficient processes and poorly conceived regulations result in less business creation, expansion, investment and innovation, and fewer economic opportunities for Canadians. **We urge the Government to include economic impact assessments in Canadian regulators' mandates in order to embed business growth and competitiveness considerations in the regulatory system.**

This regulatory burden is further compounded by an increasing number of complex municipal, provincial, national and international rules. Our Members who work across multiple jurisdictions also contend with a patchwork of regulatory regimes, each with specific compliance requirements.

Regulatory burden and clarity

While we acknowledge the challenges and importance of balancing public interest when it comes to building infrastructure, such as ensuring projects are procedurally sound, guaranteeing safety and environmental protection; businesses across Canada are feeling constrained by a regulatory process which is opaque, lengthy and bureaucratic. Complex layers of regulation hinder Canada's ability to build projects and grow the economy.

Uncompetitive regulatory policies increase time and costs for businesses, hamper investment and send negative signals to the international investment community. Further, if firms are not confident that they will be granted the necessary permits once regulatory requirements have been met, companies are much less likely to invest in Canada.

In 2020 the World Bank ranked Canada 23rd in their "Ease of doing Business" indicator, a five-place loss since 2017. Canada ranked 64th in the "Dealing with construction permits" indicator. According to the World Bank, it takes 249 days to obtain necessary licenses and permits, complete required notifications and inspections, and obtain utility connections for building a warehouse in Canada, this is nearly 100 days longer than the OECD average of 152 days[ix].

We are encouraged by the recent announcement of the Centre for Regulatory Innovation, which will guide Canadian businesses through the federal regulatory system and help them connect with relevant regulatory bodies. Further initiatives will also help to modernize regulations or reduce the administrative burden on businesses, such as Targeted Regulatory Reviews, the development and work of the External Advisory Committee on Regulatory Competitiveness and the review of the Red Tape Reduction Act. We encourage the Government to **continue supporting these initiatives as well as the work of the Committee, ensure continued efforts and progress are being made and consider recommendations that address and relieve the regulatory burden on business.**

United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)

We encourage the Government to continue the journey of reconciliation to create further certainty for investment to build a stronger and inclusive economy. We encourage the Government to ensure they are coordinating and legislating similar language to the province of B.C.'s legislation as you move to adopt the United Nations Declaration on the Rights of Indigenous Peoples. Many businesses in B.C. are leading the way in their approach to reconciliation and the depth of their consultation, partnership, and adherence to the principles of UNDRIP. **Clarifying and working towards greater certainty on the land base, building capacity, access to capital, and clarity around the complex governance issues will be important milestones that require government attention moving forward.** In addition, the business community wants to be a partner in working with Indigenous Nations and federal departments to ensure a high level of standards, expectations, and the roles of each partner in consultations. These partnerships will contribute to economic sustainability for communities.

Many Indigenous Nations in B.C. are now securing their own economic futures through economic development and partnership. B.C. is also a leader in Indigenous led ESG investing, whether it is the Musqueam, Squamish and Tsleil-Waututh (MST) Nations vast real estate holdings and developments, which include the potential for Indigenous investment into public transit, the Haisla Nation's interests in LNG, or the Tsawwassen First Nation's commercial development, we believe that with the right support, B.C. can attract investment and advance reconciliation. We know UNDRIP is only one tool to ensure governments and businesses respect Indigenous rights and **strongly encourage the Government to continue to advance the longer work of reconciliation with First Nations,** because not only will it be the best way to provide greater certainty for everyone, but it will also lift Indigenous communities economically. We also encourage the Government to **innovate to allow First Nations to access capital to become economic partners in major projects.**

Investing in transit, transportation infrastructure and the gateway

A recent presentation by Peter Hall, Chief Economist of EDC at the GVBOT's annual Economic Outlook Forum in January 2021 highlighted the growing importance of trade for the Canadian economy in a post pandemic world and that infrastructure and gateway investments are two critical elements that will determine our ability to fully engage as a trading nation.

As Canada's gateway to the Asia Pacific, Greater Vancouver depends on the fluid movement of people and goods in, through and to our region. In order to be an effective conduit for Canadian goods to global markets we must be able to effectively address bottlenecks, choke points and congestion while accommodating increasing exports and population growth. Investing in public transit, transportation infrastructure and increasing gateway throughput are critical, not only in our capacity as Canada's gateway to the Asia Pacific but for the economic rebound and future prosperity of our nation.

Advancing the region's priority infrastructure projects

Transit infrastructure

We are very pleased by the Government's recent announcement to invest $14.9 billion for public transit projects over the next eight years. While transit agencies have seen massive declines in ridership and revenues since the onset of the pandemic, the announced investment will help ensure that many longer-term capital projects remain viable. The $5.9 billion dedicated to short term funding for shovel-ready projects will ensure that good projects receive the financial support required to proceed despite the current challenging economic context. In light of the recent funding announcement we recommend the Government **work with the Government of BC and other partners to advance key transit projects within Greater Vancouver, including rapid transit in Surrey and to Langley and the Broadway Millennium Line extension to the University of British Columbia**. We welcome the recent announcement of an increased infrastructure envelope and a permanent fund for transit.

Regional funding partners, as well as the province, may be increasingly challenged or reticent to provide their cost-shared portion of projects, especially as operating funding deficits are expected to persist for many years. **Innovative approaches and reassessing the terms and conditions of some programming to ensure investments can continue may be required.**

Continue to support key provincial and private sector infrastructure projects

The Government of BC and the private sector have important transportation infrastructure projects lined up and it is critical that these move forward. While it is encouraging that public transit projects seem to be moving ahead, there will likely be a need to **accelerate additional economically focused infrastructure projects.** In a recent survey of our Members, between 32 percent to 40 percent have had capital projects, contracts and/or tenders either cancelled or deferred. Thus, as private projects in the near-term and through the next nine to 24 months are expected to slow down, there is a need to **continue and enhance public infrastructure projects.**

We encourage the Government to **support projects that improve mobility and livability for citizens and communities, enhance productivity and the fluidity of supply chains, curb congestion and emissions and stimulate economic activity that will help stand our regional economy back up again.** Such regional priority projects in Greater Vancouver include the **George Massey Crossing and the expansion of Highway 1** and **investments that increase the capacity and throughput of our gateway.**

Additionally, we encourage the Government to **work with all levels of government to prioritize national infrastructure investments, based on the identification and prioritization of each region's unique needs, targeting investments from the bottom-up and improving the use of limited labour resources.**

Investments to reduce transportation emissions

The electrification of public transit and of our transportation system remains a key opportunity for emission reductions in Greater Vancouver. Similarly, **providing targeted incentives for the research and development of heavy and commercial electric vehicles, including the development of electric ambulances, continuing to provide incentives toward the purchase of new and used zero-emission vehicles (ZEV) for individuals and corporations, building the required charging infrastructure and significantly increasing the electrification of federal Government and Crown vehicle fleets** will help drive innovation, stimulate economic activity and enable us to achieve our environmental targets.

Improving regulatory processes to support major projects

Additional efforts will need to be made to ensure that private sector projects are able to succeed. Ensuring a regulatory environment that streamlines processes, reduces red tape and fosters investments in major projects will support the economic recovery of our region. Projects like the FortisBC LNG expansion project at Tilbury, which is undergoing a provincial assessment or container terminal expansion in our region, undergoing a federal assessment, can spur economic activity through the creation of jobs and would offer significant economic benefits to the province in the near future. **All projects that either have an approved environmental certificate or are starting the process to obtain one should be examined and supported by a whole-of-government effort.**

Build gateway capacity

Canada's gateway sector is a key driving force for the nation's economy, facilitating the movement of Canadian goods across the country and to international markets. Over the years, the Government has meaningfully invested in critical capacity enhancing gateway infrastructure projects in a way that has incented the participation of private sector partners. Investments to date have resulted in increased capacity, fluidity and efficiency of the gateway. Through the $2.4 billion National Trade Corridors Fund

(NTCF), a key element of Transportation 2030, the Government of Canada has focused investments in strategic infrastructure projects to address transportation bottlenecks, vulnerabilities and congestion along Canada's trade corridors[x]. As of February 2020, more than $1.7 billion had been committed to through the NTCF for 82 marine, air, rail and road projects[xi]. These important initiatives help Canadian companies access and compete in key global markets and trade more efficiently with international partners.

Through the National Trade Corridor's Fund, the Government has made very meaningful investments in our region. There is scope to **enhance those efforts to increase competitiveness of our corridor. We encourage the Government to recapitalise the NTCF to allow more funds to be directed to critical gateway infrastructure projects in the near term.** There are also key infrastructure assets integral to the growth of that gateway that are owned by the federal Government, including the New Westminster bridge. This bridge handles annual cargo equivalent or greater to the entire Port of Montreal. **As the Government considers options for the replacement of the New Westminster bridge, we encourage it to view the asset in light of its significance to the future of Canada's trade and overall national interest.**

For the most part, the Greater Vancouver gateway and its broader transportation system have been and continue to be a key strength for BC, having largely performed well during the pandemic. Cargo tonnage moving through the Port of Vancouver saw a year-over-year increase in 2020 and rail saw record grain movements[xii]. On the other hand, YVR saw more than 17 million fewer passengers move through its terminals in 2020 compared to a year earlier[xiii]. We encourage the Government to **continue supporting the areas of the Greater Vancouver gateway sector where necessary while continuing to nurture, invest and grow our gateway capacity.**

Additionally, given its significant economic importance, the GVBOT recommends the Government to **convene all relevant stakeholders to create a comprehensive Gateway growth strategy to ensure its long-term viability and resilience.**

While the GVBOT has been pleased to see significant financial commitments for key 'bottleneck-eliminating' projects through the NTCF, **addressing the remainder of the projects outlined in the Gateway 2030 initiative through recapitalisation of the fund and ensuring that funds are directed towards these critical projects** will go a long way to maximize potential benefits for the local, provincial and national economies.

Supporting the Travel sector

The airline and travel sector have been particularly hard hit by the pandemic. We encourage the Government to **maintain an open dialogue, follow international best practices, and work closely with the sector to ensure it is able to thrive when safe to do so.** Additionally, the GVBOT recommends the Government to **prioritize innovative approaches to travel restrictions, such as rapid-testing trials/protocols that allow for domestic and international travel when it is safe[xiv].** We recommend that the Government work with the Provinces and international agencies to **support new technology that would facilitate rapid testing and screening processes**. For example, Lufthansa has implemented a rapid test, which is integrated into a boarding pass to enable passengers to travel and safely avoid quarantine. Canada and the Provinces should **be active participants in seeking innovative approaches that would allow for safe and effective international travel.**

In September 2020 the BC Government appointed the Tourism Task Force (the task force) to make recommendations to support a strong recovery from COVID-19 and enhance the industry's long-term competitiveness. As suggested by the task force, the Government could **explore a pilot program to establish healthy travel corridors within defined bubbles[xv].**

Connectivity

Connectivity enhances opportunity for Canadians, enabling them to actively participate in our economy and access health care or other services regardless of where they are in the country. The GVBOT encourages the Government to **continue its efforts and build upon the good work done to date, to connect rural BC communities virtually.**

However, we encourage the Government to **collaborate with stakeholders and public health partners to develop a strategy for creating conditions necessary for the successful, safe restart of the aviation sector, including airports, airlines and navigation services** to avoid any further service reductions, which deteriorates the physical connectivity of our country, isolates rural communities and hinders an inclusive recovery for all Canadians.

Defer or relieve fixed costs

The task force also identified that while COVID-19 support programs did a good job in addressing variable costs, businesses were left struggling to cover fixed costs. In line with the task force recommendation, the GVBOT recommends the Government to **postpone until December 2022 or forgiveness for any fixed costs under the purview of the federal Government such as tenure and other Crown fees such as park use permits.** Additionally, **encourage the Provinces to defer fixed costs under their control.**

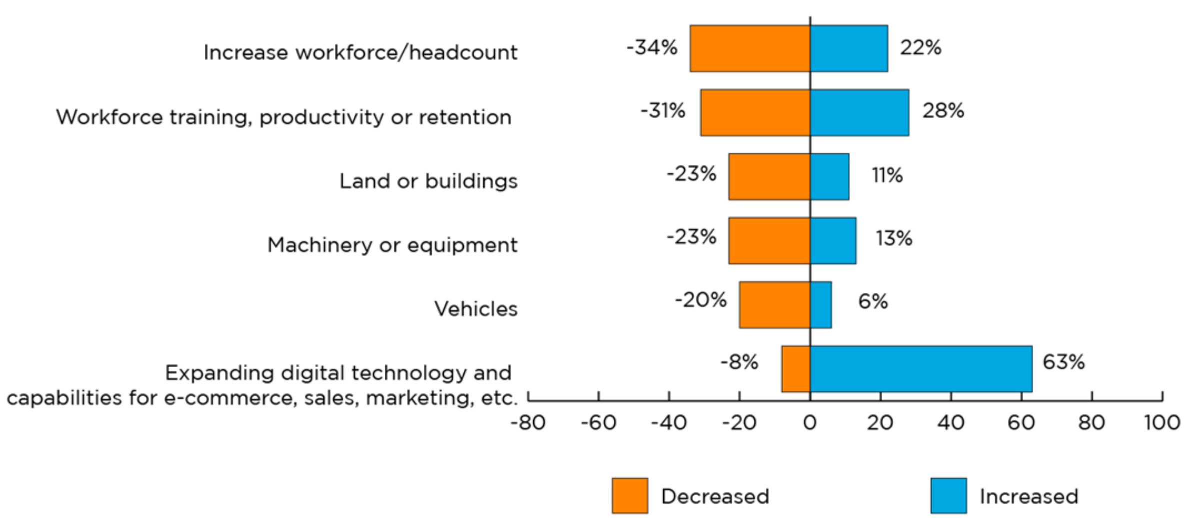
Transformation: Preparing for tomorrow, today

Stark disruptions resulting from COVID-19 have presented the Government with a unique opportunity to address deep-rooted issues and transform our country for long term prosperity. Investments in innovation and technology and creating conditions that foster and leverage innovation will be critical to our future competitiveness. Similarly, supporting the growth of the green economy as well as helping traditional resource sectors in their transition to lower emissions must remain a fundamental objective for our transformation. In line with this, the Government should recognize the leading role BC plays in Canada's net zero by 2050 target and continue efforts to ensure the growth and competitiveness of the province's diverse economy.

Innovation and technology for business survival and rebuilding competitiveness

COVID-19 has been a catalyst that prompted a vast technological evolution for many individuals and businesses, who began adopting new solutions in response to the pandemic. For example, in a recent GVBOT survey, it was determined that since March 2020, organizations have increasingly innovated and sought out new ways to access customers, as four-in-ten businesses have increased their digital or e-commerce presence since the onset of the pandemic and six-in-ten plan to continue to increase investments in digital technology. Similarly, tele-health saw a notable uptick in demand and academic institutions meaningfully migrated their services to online platforms. With six-in-ten businesses reporting plans to further increase investments in digital technology, **we encourage the Government to continue supporting businesses in pivoting to digital platforms and expanding their digital presence and e-commerce capabilities.** This is especially important for our SMEs, who have been disproportionately impacted by the pandemic, many of which have faced significantly decreased revenues, increased operational costs and added debt loads.

Planned Investments Compared to Pre-COVID Years



Source: GVBOT Member survey January 2021

While we welcome the Government's innovation agenda, the GVBOT believes more can be done in this area to ensure a prosperous Canada. In the 2019 World Economic Forum's Global Competitiveness Index, Canada ranked 14th of 141 countries, a two-spot erosion from the previous year. According to the report, "**Further improvements in mobile broadband infrastructure and usage (67th), greater investments in R&D (23rd) and collaboration between companies, universities and research centres (15th) would benefit Canada's competitiveness going forward**"[xvi].

Fostering innovative technologies that evolve our day-to-day

Many Canadians are coming to recognize the benefits of alternative service delivery models, such as in health, education and public safety, which can often be delivered at a lower cost, allow for more efficient use of resources, can foster broader accessibility and do not require the same infrastructure investments as traditional service delivery models. As we move towards recovery, the Government should **continue supporting the development of innovative alternatives to service delivery to leverage the benefits of this technological evolution and innovations that improve life for Canadians.**

A regulatory environment that fosters innovation

As part of our recovery strategy, Canada must embrace the next technological evolution and new technologies such as 5G to be better equipped to attract foreign investment and the highly skilled professionals that will drive our recovery and long-term economic prosperity. This involves **ensuring a consistent and predictable regulatory ecosystem to create the conditions that foster the efficient development and deployment of new technologies, such as 5G.** 5G will play an increasingly important role in unlocking economic opportunities for our nation.

Data, technology and innovation

The rise of the intangibles economy (what has been described as “capitalism without capital”) is and indeed already has transformed foundations of the global economy. However, Canada’s current mix of policies toolkit is centred on a world of tangible assets. The tangible economy is centred on capital and labour as the main factors of production and investment and trade, which raise everyone’s boat. The growing trend towards intangible assets is described in detail by Speer & Asselin (2019), where they note the growing trend and importance of data, brands and IP, and the fundamental shifts required in policies and programs to support the new economy

Even prior to COVID-19, the global economy was going through a major adjustment, being shaped by new technologies and technological applications, such as artificial intelligence and nanotechnology. These technologies, and others emerging technologies have the potential to suddenly upend sectors, firms and workers.

To highlight these changes, Speer and Asselin note that the S&P 500, is a telling barometer of how profound the unfolding transition to a data-driven economy is. In 1976, 16 percent of the value of the S&P 500 was in intangibles assets (i.e. brands, IP, data, etc.). Today, intangibles assets comprise 91 percent of the S&P 500's total value. Together, the world’s five most valuable data-driven companies are worth well over $4 trillion (Canada’s annual GDP is about $2 trillion), but their balance sheets show only $225 billion is in tangible assets, or just over 5 percent of their total value. Increasingly, this is a radically different economy, with new commanding heights.

We recommend that the Government **build off of the work being advanced by the Digital Technology Supercluster to advance a data and intangibles plan, which would focus on cultivating and keeping companies local, growing the technology ecosystem, and commercializing data and IP in Canada.** Additionally, **we encourage the Government to use tax policy not only to support and encourage the undertaking of certain innovative activities in Canada but also to incentivize the retention of IP in the country.**

In addition, we recommend that the Government **work closely with the Provinces, post-secondary institutions and the private sector, to build support for innovative companies and allocate research funding to Canadian businesses that will commercialize technology and keep IP housed here.**

Finally, to cultivate and support Canadian businesses, **we recommend that governments redouble their procurement efforts to focus on fostering innovation and a local ecosystem, while respecting taxpayers.**

Scientific Research and Experimental Development (SR&ED) tax incentive program

The Scientific Research and Experimental Development (SR&ED) tax incentive program is the largest single source of Federal Government support designed to encourage R&D in Canada. Each year, the SR&ED program provides over $3 billion in tax incentives to over 20,000 claimants. Of these, about 75% are small businesses[xvii]. The expenditure limit for Canadian-controlled private corporations ($3 million maximum) is based on the previous year's taxable capital. The limit is reduced when taxable capital is greater than $10 million. Though the tax incentive is intended to drive innovation, there are flaws within the current design that discourage growth and foster mediocrity (once companies cap out or grow too big).

According to EY's annual Global outlook for tax policy, over a third of responding jurisdictions made their R&D incentives more favorable in 2019, in an attempt to maintain or improve their competitive position[xviii]. Similarly, according to EY's 2020 Worldwide R&D Incentives Reference Guide, it is expected that global tax competition will continue to intensify as countries formulate plans to reinvigorate their economies in the wake of COVID-19, resulting in new, expanded or specially focused research and development (R&D) incentive programs[xix]. The report further warns that long-standing innovation incentives, such as Canada's SR&ED tax credits have experienced stricter eligibility and documentation requirements.

The GVBOT recommends the Government to:

a. **Review and reduce overly strenuous eligibility and documentation requirements for the SR&ED tax credits**
b. **Revisit the design of the SR&ED credits to promote growth and employ such incentives to their maximum potential**
c. **Ensure Canada's R&D tax incentives remain globally competitive and attractive by implementing new or expanding existing incentives**

Green economy

We acknowledge the steps the Government has taken to prioritize the environment by committing to net zero emissions by 2050. Achieving our climate targets is important moving forward and we encourage you to **continue moving in this direction in close consultation with industry - particularly given the challenging economic reality businesses are currently facing - to ensure a measured, economically viable, globally competitive, and fruitful path in our pursuit of an environmentally sustainable nation.**

The Government's climate plan should recognize the immense generational challenge we face to combat global warming in order to protect future generations while also **recognizing BC's low-carbon advantage, clean tech ecosystem and innovation capacity, key to achieving the country's climate agenda.** We also need to ensure we **view our natural resources as part of the solution to solving the world's climate challenges. Our traditional resource companies are investing heavily in new technologies to lower emissions intensity and ensure top of class sustainability metrics and we encourage the Government to continue supporting them in this transition**. We are also home to new innovative businesses such as Carbon Engineering, Creative Energy and Ballard Power who are developing new technologies and providing solutions that will meaningfully contribute to Canada's efforts to achieve net zero by 2050.

Construction

Buildings are among the largest sources of greenhouse gas (GHG) emissions in most countries. In 2019, building construction and operations accounted for the largest share of global total final energy consumption (35%) and energy-related CO2 emissions (38%)[xx]. Ensuring the sustainable construction and energy efficiency of new buildings and improving existing buildings will be critical to reducing emissions and achieving net zero by 2050.

BC is a leader in green buildings and more support could help expedite the good work already being done by innovative BC construction companies. We encourage the Government to **prioritize and systematically include low-carbon buildings and building decarbonization measures in recovery efforts**, in order to increase renovation rates, channel investment into low-carbon buildings, stimulate more innovation in green construction and generate the creation of jobs.

Creating a made-in-BC development agency

The GVBOT is pleased by the federal government's commitment to transform the current Western Economic Diversification (WD) by creating a BC-only focused regional development agency (RDA).

Depending on the measure cited, British Columbia's economy is among the most diversified in terms of our export markets and employment (direct and indirect) and is middle of the pack when looking at the diversification of our nominal GDP. While there are many measures that can be captured, it is clear that BC's economy is quite diversified. Therefore, the goal of a new made-in-BC agency need not necessarily be diversification, rather a focus on competitiveness could be of greater value. Competitiveness could be infused into the mandate while maintaining support for communities that are not diversified or overly reliant on traditional/struggling industries, especially in rural and remote areas. It would also ensure a broad tent to work with traditional industries to adopt new innovations/technologies alongside emerging and more mature leading-edge clusters, which tend to be focused in urban areas.

Some additional principles for consideration as the government determines its terms and conditions for the Agency:

- **Ensure that a BC-only entity is focused on competitiveness, enhancing economic growth and provides a return for taxpayer's investments in terms of its management, administration, and investments.** There should be **strong rigour and incentives to ensure that projects achieve**

their desired outcomes and are indeed economically enhancing investments and not pure subsidies.

- In addition to considering the terms and conditions of investment/programming opportunities, **review the differential of investments between different regional development agencies across the country**.
    - In 2019/20, WD was overseeing four provinces and a population of roughly 12 million, with a budget of $240 million and 211 full-time employees (although data isn't readily available on the spending by province)
    - Quebec is home to 8.5 million residents. CED-Q, the regional development agency for Quebec had a budget of nearly $325M. ACOA, which oversees all Atlantic provinces, and a population of roughly 2.5 million, had forecast spending of $352M for 2019-20.
    - If a similar level of spending relative to the population were allocated to BC based on the aforementioned examples, the budget would be between $194 to $715 million. The new entity should only increase in size and scope as it demonstrates tangible returns on investment for BC over time.
- **Ensure the BC agency strikes the appropriate balance between supporting specific sectors (life sciences, clean tech, etc.) and programming that has broad applicability for all sectors.** A renewed **focus on high-growth firms in strategic clusters** that will be increasingly important as we enter the fourth industrial revolution. Many of the sectors are already known and served by WD currently. In addition, the GVBOT has worked with the Conference Board of Canada to identify traded clusters and potential export destination markets.
- **Helps BC's high-potential SMEs scale-up**. While there has been much commentary about the lack of head offices, BC's primary advantage is our people, our entrepreneurs. Our province is at or near the top when looking at employment at high-growth firms, for example. Continued cultivation of this ecosystem would be important.
- **Recognizes BC's role as Canada's primary gateway for trade.**
- **Plays a complimentary role to Invest in Canada, in supporting and coordinating, specific to our members and geography, inbound investment to Metro Vancouver.**
- **Continues to work on projects that ties BC's economy and businesses together with other provinces**, a great example could be the facilitation of trade through the north and southern ports in B.C.

Finally, there is a dearth of economic data related to city-regions across Canada. Metro Vancouver (CMA-region) represents 61 per cent of provincial GDP, the vast majority of VC-backed firms are in the region, as well as the vast majority of headquartered offices and by far the largest port in Canada. The list of advancements (and challenges) in the region are long. We recommend the Government to **work with the GVBOT and others to draw out the strengths and weaknesses of our city-region in real time data, which would prove to be a core asset for BC's economy**. In 2016 and again in 2018, we compared Greater Vancouver to 20 other similar city-regions around the world for livability and overall competitiveness. The list of indicators used to rank metro-regions is included below. **Measuring the investments made by a new RDA towards improving the region will be key.**

Greater Vancouver's Competitiveness Defined and Compared

Greater Vancouver's Economy Performance

Indicator	Grade 2018	Grade 2016	Ranking 2018	Ranking 2016
KPMG's total tax index	A	A	4/14	3/12
Office rents (US$ per square foot)	A	A	6/18	5/17
Unemployment rate	B	C	6/20	10/20
Port cargo tonnage per $1 million of GDP	B	B	3/19	3/19
Venture capital investment per $1 million of GDP	B	C	3/14	4/11
Labour productivity growth	B	B	4/20	7/20
Inbound airport seat capacity per capita	B	C	8/20	10/20
Real GDP per capita growth	C	C	4/20	7/20
Port container traffic (TEUs) per $1 million GDP	C	C	5/19	5/19
Inbound airport cargo tonnage capacity	C	C	8/20	9/20
High-tech employment share	C	C	8/20	9/19
Number of cruise vessel calls	C	C	9/18	7/18
Employment growth	C	B	13/20	12/20
Labour productivity	C	C	13/20	12/20
Real GDP per capita	C	C	13/20	14/20
No. of flight destinations at major airport	C	-	14/20	-
After-tax income growth	C	C	14/20	8/19
No. of participants at int'l association meetings	D	C	9/20	8/19
International visitors	D	C	12/18	11/18
After-tax income per capita	D	C	12/20	13/20
Market size	D	D	16/20	16/20
METR on capital investment for businesses	D	C	17/17	10/17

Source: GVBOT Economic Scorecard 2018[xxi]

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