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December 22<sup>nd</sup>, 2015

**DELIVERED VIA E-MAIL [Bill.Morneau@canada.ca]**

The Honourable Bill Morneau  
Minister of Finance  
Finance Canada  
140 O'Connor Street  
Ottawa, Ontario K1A 0G5

Dear Minister Morneau,

**Re: Pre-Budget 2016/2017 Submission**

On behalf of The Vancouver Board of Trade (the “VBOT”), we respectfully submit recommendations to the federal government for the 2016/2017 Federal Budget. These recommendations reflect the concerns and priorities of the VBOT Directors and our over 5,000 member businesses.

In addition to providing annual recommendations on federal budgets, the VBOT evaluates the subsequent performance of each budget based on criteria which reflect the priorities of our members, the VBOT, and the Greater Vancouver business community.

In consultation with our members and the VBOT Directors, we submit the following recommendations for the 2016/2017 Federal Budget.

**Recommendations:**

**1. Economic Vision**

The VBOT believes that a healthy and vibrant business community in Canada is essential to the country’s success. We believe that the budget should not only focus on the upcoming year but that it should also address Canada’s needs over the longer-term, reflecting a clear vision for the country, and striving to ensure that Canada is consistently ranked as one of the best places to do business.

In order to build the best economy possible, we believe there are several specific issues which must be considered and recommend the federal government:

### *Eliminate Barriers to Trade*

The VBOT is wholeheartedly supportive of Canada's efforts to reduce or eliminate tariff and non-tariff barriers to international trade, including the recently concluded Comprehensive Economic and Trade Agreement and Trans-Pacific Partnership, and encourage their implementation. As Canada's Pacific Gateway, such agreements have special significance for British Columbia, as access to new markets has the potential to grow both the provincial and national economies.

However, in light of Canada's efforts to promote trade on the world stage, significant barriers still exist in our internal market. It is estimated that these inter-provincial barriers cost the Canadian economy more than \$14 billion dollars a year. If we are to find economic success, the strength and competitiveness of our domestic market must be a top priority, and greater coordination and alignment of inter-provincial regulatory standards is a significant first step.

### *Develop Pacific Gateway Infrastructure*

The VBOT applauds the new federal government's commitment to invest over \$125 billion in infrastructure over the next 10 years, and urges that these funds be used to strategically target development of air, sea, land, and rail infrastructure in British Columbia.

Recent developments in the area of resources and trade mean that Canada's Asia Pacific Gateway is more important than ever. In fact, the three provincial leaders of the New West Partnership have asked for a minimum of \$1.5 billion from the federal government to support gateway transportation and port infrastructure, including the Pacific Gateway. Leaders of the New West Partnership say the current transportation system is "nearing its limit" and more must be done to ensure better reliability with trading partners in Asia.

British Columbian projects need continued consideration when allocating resources from the new infrastructure fund. It has become increasingly apparent that Asian interest in our resources may have a limited time horizon and it is imperative that we not miss the opportunity to take advantage of these markets. Accessing these markets and establishing trade relationships in a timely manner stands to benefit the whole of Canada.

Key Pacific Gateway projects the VBOT views as being strategic in nature and deserving of federal support include:

- i. Roberts Bank Terminal 2 Project,
- ii. George Massey Tunnel Replacement and Highway 99 Corridor improvements,
- iii. Pattullo Bridge Replacement,
- iv. Railway capacity within Metro Vancouver, and
- v. Trans Canada Highway widening from Kamloops to the Alberta Border.

### *Support Transit Infrastructure*

As you are aware, the movement of goods, services, and people is critical to economic and social future of families and businesses in the Lower Mainland. The C.D. Howe Institute has estimated that traffic congestion costs Metro Vancouver between \$500 million and \$1.2 billion per year.

While we are disappointed with the result of the unsuccessful transportation plebiscite, we respect the decision made by voters. We remain concerned that the outcome will negatively affect livability in the region, and that our economy and businesses will suffer without the necessary transportation improvements. The VBOT continues to be supportive of the Mayors vision and is committed to working with the Mayors of Metro Vancouver, the Province, the new Federal Government and stakeholders from across the region in determining solutions to improve the movement of people and goods. These events point to the difficulty municipalities are presently having with the current model of infrastructure investment. We urge cooperation between all levels of government to investigate new ways to fund the development of much needed infrastructure.

The federal government's involvement in funding transit infrastructure projects is critical and the VBOT applauds the new federal government's commitments to invest an additional \$20 billion in public transit infrastructure over the next 10 years.

The VBOT remains committed to the Mayors' Council Regional Transportation Investment plan as such we urges the new federal government to fund the Mayors Plan which includes the following priorities

- i. 27 KM of LRT in Surrey, and Langley, and
- ii. Millennium Line extension along the Broadway-UBC corridor.

### *Strengthen the Labour Market*

The VBOT would like the federal government to address the growing disparity between labour market skills and labour market demand. Not only does the existing workforce require better support in adapting to change, Canada must strengthen its ability to attract and retain the workers businesses need to grow.

It is vital that our workforce keep pace with the needs of the economy, and to achieve this, we recommend:

- i. Continued and improved access to post-secondary education in both academia and the trades,
- ii. Improved support for graduates to find jobs and incentivizing employers to hire and retain interns and new graduates,
- iii. Incentives for employers to send their staff for re-training and/or upgrading of credentials,
- iv. Increase funding for post-secondary research to fuel product commercialization and innovation, as well as post-secondary infrastructure spending, and
- v. Modernization of foreign and provincial credential recognition schemes.

Any reforms to, and support for, the labour market must be done in conjunction with improvements to the Temporary Foreign Workers Program (TFWP). It is vital that changes are made to the TFWP to enhance its certainty for workers and employers, increase safety and reliability for participants, properly punish employers who abuse the program, and raise its overall accessibility so that it may be a more effective tool in addressing short-term labour shortages.

### *Adjust Canada Health Transfers*

The VBOT is of the view that the Canada Health and Social Transfer must be age adjusted to account for the increased costs of providing health care to seniors age 65 and over. The new, per-capita-based funding formula for the program should incorporate a methodology that recognizes the different demographic and population compositions of each province.

British Columbia has a growing population of seniors. The 2011 Census counted nearly 688,715 seniors living in B.C. According to the census, the percentage of British Columbians aged 65 and over was 15.7 per cent, compared to 14.8 per cent nationally. It is estimated that the percentage of seniors in B.C. will reach 24.7 per cent by 2036, with the fastest-growing demographic being those 85 and older.

There are estimates that the funding formula based solely on a per capita basis will cost B.C.'s health-care system \$202 million. As B.C.'s Finance Minister has noted, this approach does not "operate in a way that is favourable" to the province. This plan does not acknowledge the significant efforts that have been made to contain health care costs in the province, nor its aging population.

When B.C.'s shifting demographics are translated to health spending trends for seniors in Canada, the cost projections are staggering. The increases in health care spending for seniors compared to other age groups are as follows: \$6,223 for those aged 65 to 69, \$8,721 for those 70 to 74, and \$12,050 for those 75 to 79. The increases jump to \$20,113 for those 80 and older.

Given these costs, it is critically important to British Columbians and all Canadians that the Canada Health Transfer funding formula be adjusted to account for the demographic pressures faced by each province.

## **2. Spending Management**

The VBOT acknowledges the new federal government's plans to repeal the *Federal Balanced Budget Act* and intention to run deficits in the next three fiscal years before returning to a balanced budget in 2019/2020. While the VBOT applauds the government's commitment to creating sustainable growth and economic opportunity for more Canadians, we urge that strategic spending is balanced with fiscal prudence and restraint, especially in these economically uncertain times. We also particularly note the provisions in Section 8 of the *Federal Balanced Budget Act* that dictate a 5% decrease in parliamentary wages and a public sector wage freeze during deficits. The VBOT recognizes that budgetary amounts may vary due to unforeseen events, but it is

important that government spending be conducted in an efficient and transparent manner, with a focus toward controlling direct program operating expenses, and spending on projects and programs that will increase overall GDP growth.

### **3. Tax Competitiveness**

Federal Budget 2015 tightened some aspects of the Income Tax Act (“**Tax Act**”), resulting in higher taxation for certain businesses. In the upcoming budget, we would like to see measures which benefit the business community and help create a more competitive environment in order to stimulate the economy.

To achieve this goal, the VBOT recommends the federal government:

#### *Maintain Tax Competitiveness and the Ability to Attract Human Capital*

The VBOT recognizes that over the years the government has made great strides in establishing Canada’s relative tax competitiveness within the G8 and we believe that it is an imperative for it to be maintained so as to ensure that Canada remains a leader in attracting business investment. At the same time, we ask for certainty and fairness within the tax system, both key factors in attracting and retaining investment in Canada.

Canadian companies, including startups and early stage businesses, compete vigorously with their US counterparts for talent. Accordingly, competitive tax rates, that take into account graduated tax rate levels, are imperative. In addition with comparatively lower salary compensation levels and, in some cases, a higher cost of living in Canada, stock options have become an essential tool in bridging this compensation gap. This is of particular importance to Vancouver where the tech sector represents an important, and growing, economic cluster. We recognize the importance of fair taxation and your mandate to implement tax cuts for the middle-class whilst asking wealthier Canadians to pay more, but at the same time we ask you to recognize the importance of stock options for Canadian companies trying to attract talent.

#### *Simplify Tax Legislation*

Whether a result of the federal government’s improvements to Canada’s international tax rules to close tax “loopholes”, the proposed changes to subsection 55(2) of the Tax Act to target transactions that give rise to certain inappropriate tax results, or other recent legislative changes, the taxing statutes continue grow in complexity and, at times, can have broad unintended application. This creates uncertainty in respect of conventional business transactions and increases the administrative burden on taxpayers. The VBOT recommends that the federal government establish an independent body with the mandate to simplify the tax system, ensuring its efficiency and ease of compliance—as many countries around the world have already done.

## *Consult Business Community on Climate Policy*

The Canadian business community understands the role it plays in reducing greenhouse gas (GHG) emissions and is ready to be a partner in protecting our environment, and helping the country meet its obligations under COP 21. In British Columbia, the carbon tax model (enacted by the provincial government in 2008) has been successful in balancing economic growth with environmental regulation. An important aspect of the B.C. model has been the guarantee of revenue neutrality which ensures that climate change policy remains an effective tool for reducing GHG emissions and is not seen as a revenue stream for government. We recommend your government take this model into consideration when constructing the federal framework. In addition, we also ask your government to consider the cumulative impact these regulations have on industry. The compounded effect of multiple policies with overlapping intentions creates a complex regulatory framework, one which is less attractive to investors and hampers economic growth. A simple framework that takes into account existing provincial climate leadership and balances economic and environmental needs, as the B.C. carbon tax has done, will create certainty that will protect Canada's global competitiveness.

We urge the federal government to thoroughly consult with stakeholders across the country on this complex issue before proposing any changes that would adversely impact the ability of Canadian companies to compete on the international stage.

### **4. Debt Management**

Canada is recognized globally for sound fiscal policy and is well positioned to further attract foreign direct investment. In conjunction with the spending priorities outlined above, the VBOT views it as an imperative that Canada continues to preserve this global reputation by committing to maintain the federal debt-to-GDP ratio to a more prudent level. The debt-to-GDP ratio must offer government the flexibility to withstand shocks and unforeseen needs, both social and economic. As outlined in our other priorities, we see smart and strategic federal spending as an important factor in the economic success of our country. However, the VBOT is concerned by the Parliamentary Budget Officer's recent Economic and Fiscal Outlook, particularly Canada's worse than anticipated fiscal performance and the forecasted deficits of \$3.6 billion in 2016-17 and \$6.9 billion in 2017-18. Due to the current economic climate, and the new fiscal realities faced by the government, we urge prudent fiscal management and a commitment by the federal government to make significant progress in reducing its fiscal deficit to a more responsible and sustainable level.

In addition, the VBOT notes the rising household debt and real estate prices in Canada. We support the recent increase to minimum down payment for higher-priced homes. However, as the Canada Mortgage Housing Corporation guarantees a substantial portion of residential mortgages, the VBOT encourages the government to continue its efforts to ensure discipline in the residential lending market, and its attempt to reduce taxpayer exposure to the housing sector, as recently seen in the government's announcement to raise the minimum down payment requirement for homes worth over \$500,000. This will help to limit the government's secondary exposure in the

event of a major economic downturn.

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If you require additional information or clarification on any of the recommendations outlined in this letter, please feel free to contact us directly. The Vancouver Board of Trade works with all levels of government on issues of economic and social concern to Canadians and would welcome an opportunity to meet with you to discuss these and other issues affecting the country.

Sincerely,

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



Tim Manning,  
2015/16 Board Chair



Iain JS Black  
President and CEO

CC Prime Minister Justin Trudeau  
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Minister Harjit Sajjan  
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