

October 13, 2017

Mr. Bob D'Eith
Chair
Select Standing Committee on Finance and Government Services
c/o Parliamentary Committee Offices
Room 224, Parliament Buildings
Victoria, BC

Re: ICBA Submission to the Select Standing Committee on Finance and Government Services: Pre-Budget Consultations in Advance of the 2018 Budget

Dear Chair D'Eith and Select Standing Committee Members:

The Independent Contractors and Businesses Association (ICBA) is pleased to make this submission to the provincial Select Standing Committee on Finance and Government Services in advance of the 2018 provincial budget. By way of background, ICBA has been the voice of B.C.'s construction industry for 42 years, representing more than 2,000 members and clients who collectively employ over 50,000 people. ICBA advocates for its members on issues that support growth in the construction and responsible resource development sectors as well as on issues important for a strong economy.

In our submission, we wish to focus on three matters of critical importance at this time:

- Major project approval challenges;
- Enabling infrastructure for urban and regional British Columbia; and,
- Recent federal tax changes for Small Business Incorporations.

Beyond these three issues (addressed in turn below), ICBA supports the assessment of B.C.'s economy provided in the submission to the Standing Committee by the Business Council of British Columbia.

Major Project Approvals

The major project landscape in British Columbia and across Canada is increasingly challenged. Each week, there are new examples of major projects that are delayed, deferred or cancelled altogether. At stake for our country – especially for B.C. and western Canada – are billions of dollars of investment, well-paid family-supporting jobs, and government revenue for health, education and other critical social programs. ICBA is very concerned with a provincial and national regulatory review process that is confusing and complicated, where the goal posts tend to move and have become political in nature. The cumulative impact of lost investment, lost talent and lost opportunities is significant for the long-term health of our economy and for the prosperity of local communities, individual workers, and families.

To illustrate these recent trends, the status of the following major projects are of considerable concern to ICBA:

Trans Mountain Pipeline (TMP) – DELAYED: On November 26, 2016, the federal government granted approval, subject to the company meeting 157 environmental and technical conditions. The provincial government subsequently approved the project, adding 37 additional conditions that TMP has to meet. No fewer than seven federal and provincial agencies are charged with monitoring the construction and operation of TMP. Fully 89 percent of the pipeline will be constructed within the existing pipeline alignment. The pipeline, if constructed, will generate \$46.7 billion in taxes and royalties during its first 20 years of operation. Project proponents have also signed agreements with 95% of communities along the pipeline route, and 80% of Indigenous communities along the right-of-way support the project.

We are concerned that recent interventions by the provincial government could jeopardize this project which – from an economic and social benefit perspective – is firmly in the provincial and national interest. Apart from the construction jobs for British Columbians, service and supply firms within B.C. also benefit from a healthy and thriving oil industry in Alberta. In fact, the Canadian Association of Petroleum Producers (CAPP) estimates that 738 small, medium and large businesses based in B.C. currently undertake direct business with Oil Sands producers.¹

Liquefied Natural Gas (LNG) – DELAYED: British Columbia has a generational opportunity to establish a new Liquefied Natural Gas industry that moves otherwise stranded natural gas assets offshore to international markets. As B.C. pursues its role helping address the Paris Climate Change objectives, LNG will help countries – especially in Asia – transition to a clean energy future by displacing coal and other less desirable fossil fuels. It is disappointing that the sector has experienced significant delays; some due to market conditions, while others relate to a complicated regulatory process, lack of coordination between the federal and provincial levels of government, and delays in approvals.

The economic stakes are significant: the BC LNG Alliance estimates that a mid-sized LNG plant would procure \$3 billion of goods and services during construction, create 4,500 construction jobs, and require 400 permanent operation positions. Though there are fewer prospective players in the LNG space than five years ago, there is a significant new opportunity to ensure successful final investment decisions for LNG Canada, Chevron LNG, and Woodfibre LNG as global markets for natural gas trends toward higher prices.

It is important to note that B.C. and Canada cannot lose sight of the fact that we are competing with other jurisdictions that are committed to harnessing their natural resources and getting them to markets as quickly as they can. Major LNG projects have come on line in Australia and the United States has started exporting LNG. We strongly believe that no country in the world can deliver its natural resources to world markets as safely and sustainably as Canada, and B.C. has a unique opportunity to help position Canada as a leader in the energy sector.

George Massey Tunnel Replacement – CANCELLED: ICBA is disappointed with the cancellation of the construction of this project and the initiation of a review to examine alternatives for replacement of the Massey Tunnel which, after nearly 60 years in operation, is nearing the end of its operational life. The Massey Tunnel has become a significant bottleneck affecting daily commute times for passengers and goods moving through Metro Vancouver, Canada’s Asia Pacific Gateway. ICBA encourages the Select Standing Committee to recommend that the provincial government expedite its review and begin construction on a replacement crossing. British Columbia is suffering from a lack of investment in critical

¹ Canadian Association of Petroleum Producers, Oil and Gas Priorities for a Prosperous British Columbia, page 9. Businesses engaged from B.C. include construction, electrical equipment, engineering, and parts and supplies.

transportation infrastructure. Whether it is the 80-year-old Pattullo Bridge, the Massey Tunnel, needed additions to rapid transit along the Broadway Corridor and in Surrey, or delayed improvements to separate Highway 1 projects near both Langley and Kamloops, further delays will not only increase risks to the travelling public but also weaken our economy.

Site C Clean Energy Project – UNDER REVIEW: ICBA believes that the Site C project is in the overall economic, social and environmental interest of British Columbia, and we are strongly of the view that the project should proceed without delay. The compelling case for Site C is relatively simple. The project provides the most cost-effective and reliable resource available to BC Hydro; it has a very low greenhouse gas emission profile; and, it provides the best source of both energy and capacity.

While it may be possible to assemble energy derived from a portfolio of smaller scale wind, solar and other means, these sources are not firm nor are they dispatchable like Site C. As the world transitions from fossil fuels to renewable energy, Site C represents an opportunity to make a strategic investment in an asset that will generate clean energy for the next 100 years.

ICBA recently made a submission to the BC Utilities Commission Inquiry on Site C.² We encourage the Select Standing Committee to review the submission in its entirety.

At the heart of the challenge of converting major projects from planned to approved projects are many interrelated factors that all orders of government must work to address:

- Global competition – B.C. faces stiff international competition; tax structures for major projects must work within this reality;
- Regulatory processes – complicated, confusing and lengthy processes and dis-alignment between federal and provincial authorities has resulted in delay, deferrals, and, in some cases, cancellations of major projects;
- Indigenous communities – while government can and does delegate some procedural aspects of consultation and accommodation with Indigenous interests to major project proponents, federal and provincial governments have a significant role to play to build and maintain support and certainty;
- Global market conditions – though government does not control market conditions, they can play a purposeful role in ensuring timeliness of independent regulatory reviews, reducing complexity and certainty for proponents; and,
- “Sticking to Yes” – it is critical for investment and business certainty that once governments take a decision to proceed with a major project, that it not be subject to further review. In British Columbia – and Canada – there is a disconcerting recent trend toward undertaking further reviews of major projects even after final decision to proceed has been taken, and the project is underway.

Enabling Infrastructure – Urban and Regional British Columbia

British Columbia has a critical role in linking British Columbia and Canada with the vast markets of the Asia Pacific. ICBA is encouraged by early expressions by the federal and provincial government to cost share with local governments the construction of key infrastructure projects in B.C.

² Independent Contractors and Businesses Association (ICBA) Submission to the B.C. Utilities Commission (BCUC) Site C Inquiry, August 28, 2017; available at <http://bcuc.ca>

As Canada's third-largest province with Metro Vancouver as its largest population centre, British Columbia requires major infrastructure investments to alleviate value destroying bottlenecks and to advance the major role that Port Metro Vancouver plays in enabling trade with Asia, the rest of Canada, and the continental United States.

At the same time, municipalities throughout Metro Vancouver are growing and affordability and traffic congestion have risen to the fore as key safety, quality of life and economic competitiveness issues. ICBA believes that now is the time to invest in transit infrastructure to enable the region to add housing supply through densification, while improving goods and people movement.

Though there are other projects in the government's cue, the Select Standing Committee should recommend that priority be given to the following critical projects in British Columbia:

- Port Metro Vancouver infrastructure, especially Terminal II;
- Massey Tunnel and Pattullo Bridge Replacements;
- Broadway SkyTrain Line, Vancouver;
- Surrey Light Rail;
- Trans-Canada Highway – 4-laning Kamloops to Alberta Border;
- Trans-Canada Highway – adding capacity from Langley to Abbotsford; and,
- Cariboo Connector 4-laning Program – Central Interior of B.C..

In considering other infrastructure projects for early action, the Select Standing Committee should recommend that the provincial government take a long-term view to enhance British Columbia's role as Canada's Asia Pacific Gateway, while enhancing housing supply, affordability and livability within Metro Vancouver.

Recent Federal Tax Proposals for Small Business Corporations

On October 2, 2017 ICBA made a submission to the federal government on the proposed tax changes for small business corporations.³ We raise this issue for the Select Standing Committee as we believe the proposed changes have significant impacts for B.C.'s small business community in general, and the construction sector in particular. ICBA has called upon the federal government to withdraw and reconsider the proposed tax measures.

Our concerns with the federal tax proposals can be summarized as follows:

- The proposals will hurt middle class and stymie business growth and job creation, in part, by not acknowledging the risks inherent in entrepreneurship by taxing business savings;
- The proposals don't account for the reality that current federal tax rules for small business incorporations have been in place for decades, and form the basis of business plans. Consultation language from the federal government referencing the need for public policy measures to close "tax

³ Independent Contractors and Businesses Association (ICBA) Submission on Proposed Federal Tax Changes for Small Business Corporations, October 2, 2017. See ICBA.ca.

loopholes” and “backdoor tax breaks” is unfair. Current tax policy for small business incorporations have been in place for over forty years;

- The proposals don’t recognize that most small business owners do not have access to retirement savings outside of funds retained within their business, including access to RRSP room or lucrative defined benefit pension plans. Retained earnings in their business “is” their retirement savings vehicle;
- The proposals make the sale or transfer of a business cost prohibitive and inequitable for family members versus third party purchasers. It is very concerning that the proposals seem to favor third party business succession in tax treatment over family member succession;
- The proposals ignore that funds retained in a private corporation are often used for business growth leading to economic activity and job creation. The existing rules provide a built-in incentive for small business owners to accumulate wealth within their business that can be used for collateral or as a direct source of funds to build the business and create employment; and,
- The proposals ignore payroll and other tax changes that have increased the aggregate tax burden for small businesses. For example, many small businesses are coping with increases in CPP and EI premiums, along with the imposition of a new tax on carbon and, in the case of British Columbia, a recent accelerated increase in the existing carbon tax.

For these and other reasons detailed in our recent submission and those of other national business associations over the past number of weeks, we recommended that the federal government withdraw the proposed tax changes for small business corporations. If government pursues tax reform, it should be through a broader, more comprehensive review with a view to simplifying the tax system to strengthen small, medium and large business competitiveness.

A strong statement from this committee supporting that stance would be helpful and appreciated.

Conclusions and Recommendations

ICBA wishes to thank the Select Standing Committee on Finance and Government Services for the opportunity to provide our input on the 2018 Budget Consultation process. In conclusion, we offer three recommendations for the Standing Committee’s consideration:

1. Our members derive much of their work from economic opportunities provided by trade-exposed sectors such as energy and other responsible resource development industries. The energy sector presents B.C. with a generational economic opportunity, but significant market access and regulatory approval challenges present barriers to realizing these opportunities.

Recommendation: ICBA recommends the Select Standing Committee encourage a review of current processes applying to major projects to identify ways to streamline regulatory requirements and shrink timeframes to decision. Related to this, the provincial (and federal) government should express the public interest in seeing major investments advanced on economic grounds, while balancing this imperative with

environmental protection and mitigation considerations, along with Indigenous partnerships, consultation, and access to economic benefits and employment opportunities.

2. Building enabling infrastructure is critical to B.C. and Canadian competitiveness, is imperative for the smooth functioning of Metro Vancouver, Canada's Asia Pacific Gateway, and is foundational for spurring urban and regional growth, supply chain efficiency, job growth, affordable housing, and livability.

Recommendation: ICBA recommends that the Select Standing Committee encourage the provincial government – in cooperation with the federal government -- to address critical infrastructure needs in British Columbia without delay including, but not limited to, the following key growth enabling and congestion relieving projects: Terminal II Port Expansion; Massey Tunnel and Pattullo bridge replacements; Broadway SkyTrain Line; Surrey Light Rail; Trans-Canada Twinning to B.C.-Alberta border; Trans-Canada expansion Langley to Abbotsford, and, incremental twinning of Cariboo Connector (Highway 97) in Central B.C.

3. ICBA has significant concerns with the Proposed Federal Tax Changes for Small Business Corporations.

Recommendation: ICBA recommends that the Select Standing Committee encourage the federal government withdraw their current proposed tax reforms for small business corporations. Federal and provincial tax rules and regulations remain overly complex and confusing and often work to stifle investment and job creation. We recommend that the province work with the federal government on comprehensive tax reform that supports and encourages the growth of small and medium-sized businesses, attracts investment and creates jobs and opportunities for Canadians.

Sincerely,

INDEPENDENT CONTRACTORS AND BUSINESSES ASSOCIATION



Chris Gardner
President