

The BC CONSTRUCTION MONITOR

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A Look at the Provincial Landscape Burdening the B.C. Economy, When We Can Least Afford It

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Today's NDP government is often credited with being less dogmatic than its 1990s predecessors, as low a bar as that may be. But as we face the massive challenge of building back from the economic devastation of a global pandemic, it's worth taking stock of this government's track record.

When you dig into the numbers and policy pronouncements, it becomes evident that the Horgan government has already done more to re-shape the province than many British Columbians may realize. The playing field has certainly been tilted against contractors,

entrepreneurs, businesspeople and job creators across B.C.

Looking just at the pre-pandemic period, the tax burden on British Columbians has increased significantly – and often in ways that do obvious harm to the economy and make our province less attractive to talent and investment. And even with all those extra tax dollars, debt has risen and surpluses have shrunk during the NDP mandate.

That's compounded by a layering on of costs, constraints and complexities across the policy and regulatory frameworks that most impact the business climate – probably the most offensive example

being the backroom deal with organized labour in the form of near-exclusive access to public infrastructure projects at the expense of 85 per cent of the construction workforce in B.C.

This would be troubling in the best of times. And, of course, we are living

through anything but, with the distinct threat of a prolonged pandemic-induced recession. We need boldness from government, and a reduction in the costs, complexities and

inequities that hold back a business-led economic recovery. The public record suggests that the current government needs to dramatically course correct to get B.C. heading in the right direction.

We need fewer of the costs, complexities and inequities that hold back a business-led economic recovery.

The Times We're in Today

The COVID-19 pandemic dealt a severe blow to economies around the world. The figures below reflect the early benefits of the ongoing re-opening process, although with a possible second wave there's no guarantee that momentum will continue. And B.C.'s recovery will be hampered by the red tape, rising taxes and business-hostile policies that have accumulated under the current government.

 10.7% - B.C. Unemployment Rate

B.C. Youth Unemployment Rate - 22.6% 

 Increase in UNEMPLOYED from 1 Year Earlier **150,800**

Businesses Using Some Form of Gov't Support **65%** 

28%  Businesses Expecting to Return to NORMAL Once Gov't Support Programs End

Projected Provincial DEFICIT (20/21)  **\$12.8B**

Sources: StatsCan Labour Force Survey (August), BC Business Pulse Survey (July) and BC First Quarterly Report (September).

Taxing all the Wrong Things

While the NDP kept the provincial budget balanced before the pandemic – narrowly – that came at the cost of more than \$6 billion in new and increased taxes over just the first half of its full mandate. And much of this burden falls heavily on construction contractors and other employers.

Taxing...

...Payrolls



The Employer Health Tax shifted the full burden of Medical Services Plan premiums to job creators. And only a \$1B “double dip” in 2019 – when the EHT and MSP were both charged – kept that year’s budget in balance.

Net employer tax burden boosted by
\$700-\$800M/YEAR¹

Average expected annual cost for ICBA members: **\$157K**²

...Housing



The NDP believes the path to affordability is paved with higher taxes. Most troubling was the mis-named ‘speculation tax’, which unfairly hiked property taxes for non-resident homeowners in some parts of B.C., threatening investment and tourism jobs in the process.

Additional \$200M
tax burden in 2019/20 FY³
from ‘speculation tax’

...Mobility



The previously frozen carbon tax was scheduled to be hiked 66% from \$30 to \$50/tonne by 2021, making it among the highest in the world (although it is now paused at \$40 in response to the pandemic). The NDP also oversaw regional gas tax increases to 54¢ in Metro Vancouver and 45.3¢ in the Capital Region.

\$428 more in carbon tax payments in 2019/20 than if freeze had been maintained⁴

A \$50/tonne carbon tax will add **11.11¢** to cost of a litre of gas⁵

“Policy makers need to be more sensitive to the impact of provincial tax and regulatory policies on business. They should understand that without new investment and a desire by companies to expand, fewer jobs will be created, some existing jobs will be in jeopardy, and overall economic growth in the province will suffer.”

– Business Council of BC Policy Perspectives, July 2019

¹ BCBC Policy Perspectives, July 2019.

² Member association survey conducted jointly with GVBOT spring 2018.

³ Fraser Institute, Assessing British Columbia’s Tax Competitiveness, January 2019.

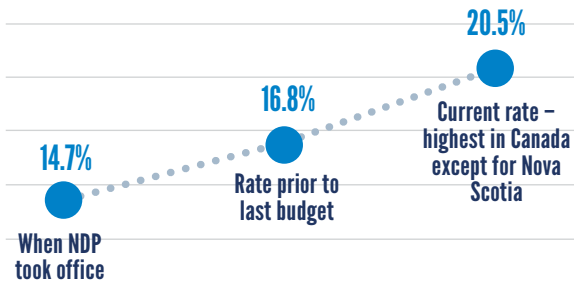
⁴ BCBC Policy Perspectives, July 2019; based on \$40/tonne carbon tax.

⁵ Fraser Institute, Assessing British Columbia’s Tax Competitiveness, January 2019.

The Worst of Both Worlds: High Taxes + Shrinking Surpluses

Despite billions in new tax revenue, the NDP spent perilously close to the edge of its means through much of its pre-pandemic mandate. It largely squandered the benefits of better economic times and management, leaving us ill-equipped for the massive hit to tax revenues in the face of the need for relief the pandemic has created.

Taxing Talent: Top Personal Income Tax Rate

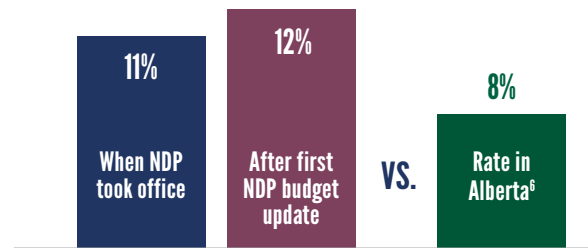


Combined marginal income tax rate (prov + fed) = **53.5%**

When governments **take >half** of higher earnings, head offices and **high-value jobs and business activity leave.**

Source: BC Budget 2020 Analysis, BC Business Council.

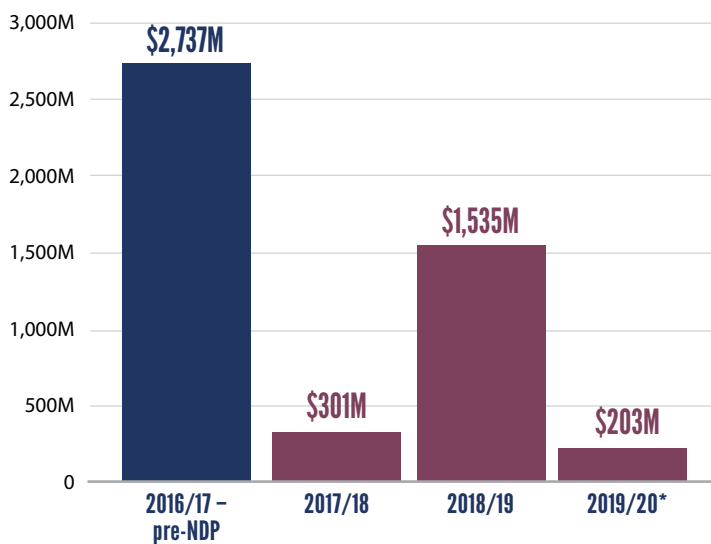
Tax (Un)Competitiveness: Business Income Tax Rate



The 1% hike created an additional **\$334M** tax burden in 2019/20 FY.⁷

B.C.'s business income tax rate is **50% higher** than the rate businesses pay next door.

Annual Provincial Budget Surplus



Source: Annual Public Accounts.

* Pre-pandemic projection, actual result is deficit of \$321 million due early impacts of COVID-19.

"We were hoping to see relief on the taxes that are holding small businesses back, like adjusting the threshold with the Employers Health Tax, or a prudent approach for big business that will help them compete globally. Our biggest producers and commodity exporters are paying one of the highest carbon taxes in the world—this isn't an environment that encourages investment."

— BC Chamber of Commerce Response to Budget 2020

⁶ Originally scheduled for 2022, Alberta accelerated the decrease to 8% as part of its COVID recovery strategy.

⁷ Fraser Institute, Assessing British Columbia's Tax Competitiveness, January 2019.

Laying on Costs, Constraints and Complexity

As a minority government, the NDP has had to hold some of its most interventionist instincts in check. But it has still managed to re-work key legislative, regulatory and procurement frameworks in ways that are highly detrimental to free enterprise and economic recovery.

Public Procurement

Taking a page from its 1990s playbook, the NDP is requiring building trades union-only labour on several major public construction projects. The cost and inequity-impacts of so-called 'Community Benefit Agreements' include:



- B.C. construction workforce excluded from working on building trades union-only public construction projects: **85%**
- Known cost escalation due to building trades union-only requirements on three B.C. projects to date: **\$384 million**
- Labour cost escalation on 1990s Vancouver Island Highway building trades union-only project: **Nearly 40%**
- Cost to taxpayers to set up new Crown agency to administer building trades union-only rules: **\$20 million**

Workers Compensation

In the midst of the pandemic – and following a flawed review process that 40+ employer groups withdrew from – the government has set the stage for increased WSBC costs for businesses. The NDP's Bill 23:



- **Increases** the number of **reviews and appeals**
- Allows for **payouts before** compensation entitlement is established
- Will substantially **increase** long-term **disability costs**
- **Reduces certainty** on worker benefits and employer costs
- Increases director liability, to the **detriment of non-profits**

Labour & Employment Law

While held back by the Opposition on eliminating secret ballots for union certifications, the NDP has nevertheless tilted the Labour Code and provincial employment standards:



- Communication period before certification vote **cut in half**
- **More constraints** on employers' ability to communicate with employees
- Greater Labour Board discretion to impose **automatic certification**

Environmental Reviews

The NDP's 'revitalized' *Environmental Assessment Act* is in keeping with the hostility it's shown to key resource development projects. The Act:



- Applies to **more projects** and expands range of review participants
- Adds **time and complexity**, and does not include "efficiency" as a goal
- Provides **few details** on assessing project economic benefits
- Establishes a "**systematic over-emphasis** on environmental risks"⁸



The BC CONSTRUCTION MONITOR is an ICBA publication providing ahead-of-the-curve information and statistics on the B.C. construction industry and issues relevant to it.

ICBA is proudly supported by our Builders' Circle Partners:



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⁸www.bennettjones.com/Blogs-Section/BC-Revitalized-Environmental-Assessment-Regime-The-Path-Ahead