



BRITISH COLUMBIA CHAMBER OF COMMERCE

Presentation to The Standing Committee on Finance and Government Services

September 14, 2004

We would like to take this opportunity to thank you for allowing the Chamber the opportunity to present the views of our membership on what the government's priorities for the 2005/6 provincial budget should be. At this point it is perhaps useful to provide some background as to the Chambers constituency.

The Chamber is a volunteer, not for profit association, which serves its members as the provincial federation of autonomous community chambers of commerce/boards of trade and corporate members.

The Chamber represents the views of 131 chambers of commerce and boards of trade and over 28,000 businesses from throughout the province. As such the Chamber truly is "The Voice of BC Business."

Known to be in operations as early as March 1867, the Chamber was re-established in 1951 with a mandate to:

- Develop a true cross section of opinions of the British Columbia business community
- Present members' opinions to the provincial and federal governments
- Promote trade and commerce
- Improve the economic and human well being of the people of British Columbia

Given our mandate – to advocate a policy framework that promotes a healthy and vibrant economy in which all British Columbians can grow and prosper – we are very pleased to be able to make this submission to the 2004 Standing Committee on Finance and Government Services.

1. Economic climate

The BC economy is showing real signs of improvement after a period of significant stagnation during the 1990's which saw the province move from first to worst on most economic indicators. After having made some very difficult decisions the BC economy can now boast a competitive taxation regime, a flexible labour and employment regulatory regime which finally benefits employers and employees alike and we are also finally seeing the results of the reduction in red tape and bureaucracy positively impacting most business sectors. These positive elements have directly contributed to a strong basis for sustained growth in the BC economy.

Among the positive economic news for the year ahead include indications that the strong recovery of BC's business investments and exports will lead to the province's economy outpacing current forecasts for 2004. In addition to this strong growth for 2004 TD Economics Regional Economic Outlook Report forecasts BC to have the highest economic performance among the 10 provinces in 2005 with growth forecast at 4.1% against the national average of 3.5%

These changes are also being reflected in a renewed sense of optimism and hope within the BC business community. A poll conducted by the Chamber of a panel of its members indicates business people are feeling increasingly optimistic about the economy. A total of 77% of members polled said they believe the B.C. economy will improve in 2004, while 83% believe their own business performance will improve in the coming year.

Despite the renewed sense of optimism evident across the province many have cast doubts on the economic recovery currently being witnessed in the province; however the facts speak for themselves:

- BC is #1 in job growth in Canada with over 169,000 jobs created over the past two years
- BC has led the country in small business growth with an almost 8% rise, faster than any other province and nearly double the national average
- BC Exports are forecast to be 10% higher in 2004 against the national average of 6.7%
- BC is the #1 destination for new investor immigrants
- BC has the highest percentage of people earning \$16 or more an hour in Canada at 57.2%
- BC has seen a net increase of almost 2,100 people from other provinces in 2003, which is the first time in 6 years that more people have moved to BC than left.

In addition the government has begun to lay some long term foundations necessary for sustained growth over the past year:

- Commitment to 25,000 new post-secondary spaces by 2010 – the initiative represents the largest expansion of post-secondary spaces in BC for 40 years. The Chamber particularly welcomes the emphasis placed on priority skills areas such as technology, health care and vocational programs and on the governments goal of ensuring that students will have the opportunity to study closer to home and to build their futures in these communities.

- The creation of the Ministry of Small Business and Economic Development – for far too long BC has lacked a focus on economic development at the highest level of government. As such the Chamber was particularly pleased with the creation of the Ministry of Small Business and Economic Development. A ministry with a clear aim of promoting economic growth in the province goes a long way to demonstrating to investors that BC is open for business. We look forward to working closely with the Minister to help BC achieve its full potential.
- CN/BC Rail Partnership – This agreement will generate significant new opportunities throughout the province. The \$135 million Northern Development Initiative will respond to the needs of the north by strengthening the resource and tourism sectors and provide for a sustainable, long term future for business and community development.
- Industry Training Authority – the ITA is a key step in addressing the need for new training and skills development in BC. Perhaps the key strength of the ITA is the fact that this organization is committed to working with industry in addressing industry and labour market needs.

2. Staying the course on Fiscal Responsibility

We would like to take the opportunity to commend the government for its continued commitment to fiscal responsibility, to its focus on reducing taxes, balancing the budget and eliminating costly regulation. The actions taken by government in this regard have laid the necessary foundations for the positive economic news we have outlined this evening. Indeed without the tough choices made by the government the very growth currently being enjoyed by the BC economy would be under threat.

This continued commitment to fiscal responsibility and prudent economic management has also seen the provincial economy end the 2003/2004 fiscal year with a deficit that was nearly \$1 billion lower than forecast in the 2003 budget. Despite a number of unforeseen circumstances including SARS, BSE, floods, forest fires, the continued softwood lumber dispute and a reduction of equalization revenues the deficit came in \$961 million lower than originally forecast. This has shown investors and businesses that BC is truly “Open for Business.”

3. The Challenges Ahead

While the Chamber welcomes the very real signs of a turnaround in the provincial economy we do realize that this presents a new set of challenges for government, particularly in an election year.

When the government tabled its 2004/2005 budget it forecast real economic growth of 2.8% with nominal growth (not adjusted for inflation) of 4.6%. However through a combination of strong exports and commodity prices, increased consumer spending and the domestic side of the economy the government has revised the estimates in the 2004/5 First Quarterly Report to 2.9% and 5.6% respectively. Growth at these levels has seen the government also revise the level of this year’s budget surplus from \$100 million to \$865 million, rising to \$905 million for the next two years and \$1.8 billion in 2007/08.

With this dramatic increase in revenue will come the inevitable calls for a substantial increase in government spending, particularly in the run up to the provincial election. While the Chamber understands and accepts that the government has a responsibility to ensure adequate

funding of the key social programs cherished by British Columbians we urge the government to ensure that all spending commitments are judged on their merits against the criteria utilized in the Core Service Review:

- public interest test
- affordability
- effectiveness and role of government
- efficiency test
- accountability

Under current government plans the province is committed to spending \$50 million on debt repayment this year as this represents 50 percent of the projected \$100 million surplus. However should the surplus be significantly higher than \$100 million there is currently no requirement for the government to increase the amount they will pay towards its debt.

The Chamber believes this presents a golden opportunity for the provincial government to once again demonstrate its commitment to ensuring long term growth and sustainable surpluses by investing in the future prosperity of the province by focusing on repaying the provincial debt burden as rapidly as possible. The Chamber recommends that the government should not only continue to use \$50 million of the first \$100 million forecast surplus directly towards debt payments but must also go further. The chamber further recommends that the government commits NO LESS than one-third of all actual government surpluses are directly committed to debt payments.

The remaining surplus must be invested wisely in programs and initiatives that bring long term economic benefits to the province by creating an environment that continues to attract investment. Primary among these must be a continued focus on ensuring BC remains competitive in terms of taxation. As such the government should rescind the .5% increase in PST as a first step in ensuring our competitiveness against other jurisdictions and provinces.

The government must also ensure that BC remains competitive on our corporate taxation rates. Although the government should be congratulated on the positive steps taken such as lowering the general corporate income tax rate, eliminating the corporation capital tax for general corporations and implementing certain sector specific tax reductions the government cannot rest on its laurels.

Businesses are particularly sensitive to tax rates as many businesses are now extremely mobile, it is relatively easy for businesses to shift province or country. BC's business tax system must remain competitive. Any failure to ensure tax competitiveness against competing jurisdictions such as Alberta, Ontario and the US will impede new investment in the province and are detrimental to long term growth and prosperity.

With a budget surplus will inevitably come intense pressure on the government to significantly increase the level of funding available for health care in the province. The Chamber firmly believes that any increase in funding for health care must go hand in hand with fundamental reform.

BC currently spends over 40% of the provincial budget on health. This rate of growth in health expenditure cannot be sustained. A different approach must be identified to enhance the likelihood that our health system not only survives – but thrives. Quite simply, the

current model will not survive the changing demographics of our population, the explosion of technology and public expectation.

4. Investing in the future

i. Debt

Key to ensuring long term growth and prosperity will be addressing the debt burden for future generations. Although the government must be commended for its sound fiscal management which has seen two major debt rating agencies, Standard and Poor and Moody's Investor Services, upgrade BC's debt rating outlook the level of taxpayer supported debt remains too high.

An aggressive approach to debt reduction is a clear indication that the government is committed to ensure sustainable spending that will ensure the long term stability of government finances by reducing the level of interest costs on its debt which can be used for long term investment.

ii. A Growth Industry

As a commodity tourism has all the natural resources, attractions and currency advantages that lend itself to a flourishing tourism industry, indeed tourism is becoming one of the fastest growing sectors of the BC economy. The strength of this industry will only grow as the 2010 Winter and Paralympic Games provide a once in a lifetime opportunity for the industry and the province to showcase itself on the world stage.

Tourism has rightly been identified by government, communities and businesses as a highly desirable source of economic development. Every dollar spent in BC by a foreign tourist is new dollars in the economy, indeed in 2002 tourism overtook energy to become the second largest earner of export income in the province after wood products.

International competition for tourist dollars has intensified as other provinces, states and countries have recognized the wealth generating opportunities of the tourism industry and have increased competitive spending accordingly. The same cannot be said for funding for Tourism BC, the principal marketing mechanism for the province.

This has been highlighted with the recent announcement that Alberta is to double its budget for tourism marketing through the elimination of the hotel tax and an earmarked hotel levy, 100% of which will be directly channeled into tourism.

At present Alberta has a current Hotel Room Tax of 5%, this generates a budget of approximately \$24 million dollars a portion of which is directed to tourism. Under the changes announced in the budget the current tax will be abolished, to be replaced with a Hotel Levy at the lower rate of 4%, however all the funds collected under this levy will be directed to tourism. This will mean that in 2005 the funds received by tourism in Alberta will increase by 75% to an estimated \$42.4 million, increasing to \$48 million in 2006.

Further to this, although the level of funding is currently slightly more than that received by the smaller province of Nova Scotia their rate of reinvestment in relation to generated revenues is 5.8 times that of BC. Indeed if BC were to reinvest at the rate of Nova Scotia BC's budget would be \$141 million (based on 200/2001 figures). In addition funding in BC is only about a quarter of what Ontario and Quebec receive.

BC is not only competing with other Canadian jurisdictions, US states put the bulk of their resources into the domestic market. While revenue provided to Tourism BC from the hotel tax has dramatically declined by 24% from \$31.5 million in 1991/1992 to \$24 million in 2001/2002, US states budgets have increased by an average of 98% over the same period.

Tourism BC is increasingly competing on the international stage for revenue and market share. To be able to fully realize these opportunities will require Tourism BC to be funded at a level which allows it to effectively market itself. As such the Chamber recommends that the province amend the hotel tax to allow NO LESS than one-half of the funds collected in the 8% hotel tax to be allocated directly to Tourism BC.

iii. Visitor Information Centers (VICs)

With an increase in visitor numbers comes a direct increase in the importance of the roles played by Visitor Information Centres. The services provided by VICs are essential to any provincial economic development strategy which is focused on ensuring that the whole of the province is able to benefit from the increased tourist volumes that will be generated by the unprecedented exposure associated with the Olympic and Paralympic games.

Research has shown that VICs play a vital role as economic generators for the provincial economy by not only encouraging visitors to extend their stay but also by encouraging many visitors to plan a return trip to the province.

For example, information received by visitors to the Kamloops VIC during the month of August, 2001, led to an estimated \$139,000 of additional spending by visitors during their trips. The experience at the Kamloops VIC also led visitors to plan return trips which would result in spending of an additional \$2.8 million - if those planned trips actually occurred.

With many VIC operators struggling to ensure sufficient funding levels to provide a high level of service (or indeed any service) on a day to day basis there has been a significant lack of capital investment in many community VICs throughout the province. This lack of investment is particularly marked when viewed in comparison to the level of capital investment in the 5 Gateway centres funded on a fee for service basis by Tourism BC. This disparity has meant that services and standards offered between different VICs are not consistent throughout the province, with many unable to offer such services as electronic booking services, RV parking, handicapped washrooms etc. The Chamber believes government and Tourism BC must ensure that the capital investment in infrastructure is available to ensure that all visitors to the province receive the same services and standards regardless of which VIC they access.

As such the Chamber recommends that the government immediately establish a capital fund for VICs to access to allow parity in the standards and services provided by all VICs in preparation for the 2010 games and to direct this funding to ensure regional distribution.

iv. Looming skills shortage

BC is at a skills crossroads. The aging of our workforce along with ever increasing global competition has meant that growth in the province is being directly threatened by a looming skills shortage, a problem that will be exacerbated by the significant projects associated with 2010.

The government must be commended for the steps already taken to begin addressing this issue. The creation of the new Industry Training Authority is a key step in ensuring that

solutions are industry led. Although government has a key role to play in providing lasting and comprehensive solutions it is only through industry led initiatives that a real and lasting solutions be found.

To ensure that SME's are provided the necessary tools government should provide innovative public policies and flexible solutions in order to allow businesses to provide the necessary training and skills development opportunities.

One of the key hurdles for business in providing training and skills development is the often prohibitive investment required to provide these programs. As such the chamber recommends that the government introduce a human resource investment tax credit, modeled on the Apprenticeship Training Tax Program introduced recently in Ontario, as a progressive and effective tool to stimulate training thereby increasing the level of private sector investment and consequently the number of skilled workers in the province.

However there is also a requirement for government to address the fact that in many cases there is significant stigma attached to apprenticeship and skills training in high schools as opposed to attending university. Indeed, although only 20% of high school graduates go on to university the majority of the remaining 80% are not provided the opportunity to participate in apprenticeship an skills training.

The chamber recommends that the government invests the necessary resources into developing a strategic program aimed at encouraging skills training and apprenticeships as early as grade 6 and 7 as a viable alternative to academic studies.

Conclusion

I would like to conclude by addressing the questions posed to us by this committee. One of the key areas to be addressed by the committee's report is to provide recommendations on what British Columbians priorities are for any budget surpluses enjoyed by the government.

The BC Chamber believes that any surpluses must be reinvested in the future economic prosperity of the province. A key focus for ensuring long term economic growth and stability must be reduction and elimination of provincial debt. As shown in Alberta the reduction of government debt allows government to redirect significant resources from servicing debt payments to investing in the future of the province.

In addition the government should ensure that budget surpluses are utilized to generate economic benefit to the people of BC. It is only through jobs and investment and the revenue that flows from them can government ensure the long term funding of health and education.

Now that the budget is balanced, it is imperative that strict controls remain in place for spending, and that growth be limited to the equivalent of inflation and population growth. Every effort should be continued to pay down debt, to support Education and Infrastructure needs over time, and to re-structure the Health Care system to sustainable levels not exceeding inflation.

The government has made many of the tough decisions necessary to turn the provincial economy around and we are now beginning to see the benefits of these tough decisions, however these achievements would be under threat were the government to dramatically increase spending

As for prudent management of the costs endured by fluctuations in the economy, the Chamber recommends government continue to provide contingencies to meet these needs as in the past, and that if not needed during the fiscal period, those contingencies be allocated to other priorities.

We thank you for the opportunity to present our views to this committee. Attached for your perusal are relevant chamber policy papers that can add detail, and I will draw your attention to our 2004 Policy Manual, copies of which have been distributed to your offices.

FISCAL RESPONSIBILITY (2002)

The BC Chamber of Commerce supports the concept and process of the provincial government's extensive *Core Services* review. This review examined every program and service and re-evaluated their purpose according to the following criteria.

- Public interest test
- Affordability test
- Effectiveness and Role of government test
- Efficiency test
- Accountability

The government has taken difficult and painful decisions to create a competitive business climate, promote customer service and sound fiscal management. It is our belief that these measures will make BC better able to take full advantage of economic renewal as it unfolds.

Therefore, the BC Chamber of Commerce believes that any *new* program spending should meet the same tests listed above to ensure open and accountable decision-making and to avoid future difficulty with unsustainable program spending.

Additionally, since these tests may be subject to arbitrary redefinition over time, we would encourage the government to create explicit links between Ministry's 3 and 5 year strategic plans and core service definitions. As a part of the explicit links, we encourage the government to require that programs be evaluated on measurable and pre-determined outcome based criteria. Whenever a program misses its targets, there should be an automatic review of the program, its objectives, and goals.

THE CHAMBER RECOMMENDS

1. That the Provincial government create explicit links between each Ministry's 3 and 5 year strategic plans and *core service* definitions particularly for any *new* spending
2. That any new program or service spending be held to the core services standard
3. That programs are evaluated on measurable pre-determined outcomes based criteria
4. That programs that miss their targets be automatically reviewed.

STATEMENT OF GOVERNMENT SUPPORT (2002 – revised 2004)

As the provincial government continues to implement its plan of fiscal reform, there is growing criticism by special interest groups regarding the difficult choices needing to be made in order to turnaround BC's economy. This has led some to express the concern that the provincial government's success in balancing the budget may cause economic harm to British Columbia. We do not believe this is the case. Indeed the balanced budget delivered in 2004 has provided the sound fiscal basis needed for growth and prosperity throughout the province.

However there is much that still needs to be done, measures affecting taxation, regulation, employment law, health care, education and other areas, must continue to be addressed as part of a much needed restructuring program designed to restore fiscal responsibility and economic growth to our province.

THE CHAMBER RECOMMENDS

That the provincial government continues to make fiscally responsible decisions in taxation, regulation, employment law, health care, education and other key areas that are necessary to return British Columbia to economic prosperity.

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TOURISM BRITISH COLUMBIA (2003 – revised 2004)

In its First Report to the Legislative Assembly the Select Standing Committee on Crown Corporations made a number of “Observations” and “Recommendations” regarding the focus and activities of Tourism British Columbia. The BC Chamber largely agrees with the findings of the Committee and its recognition of Tourism British Columbia’s reputation as a model which is recognized both nationally and internationally.

The Chamber also recognizes the significant contribution played by Tourism BC in helping secure the Canadian designation of Vancouver/Whistler and in successfully implementing its “Worldhost” program and in various marketing initiatives related to the International bid.

The section of the report dealing with “issues for ongoing monitoring and future review”, states:

“Identification of Tourism BC’s performance targets

With respect to performance tracking, committee members asked whether it is customary for Tourism BC to identify target markets with potentially high yields and track the return-on-investment of expenditures targeted at such markets. They were informed that Tourism BC’s marketing strategies are based on identification of specific target markets. In addition, to the extent of the corporation’s control, Tourism BC assesses the return-on-investment on its programs.”

To increase traffic and track ROI from targeted areas assumes that Tourism BC is funded at a level that enables effective marketing. Unfortunately, Tourism BC is not well funded in comparison to its counterparts in competitive jurisdictions. The result is that BC is losing its share of many “high yield” target markets.

British Columbia tourism is competing on the international stage for revenue. What is needed is an effective, well-funded strategy; this strategy must contain effective measures to leverage maximum benefit for all regions of the province from the opportunities presented in, during and after the Olympic and Paralympic Games in 2010.

In hosting the Olympic Games it is recognized that two thirds of direct incremental impacts accrue to the tourism sector. However the BC Auditor General reports that:

“obtaining the predicted economic impacts will require extensive tourism marketing”, and that ‘benefits will not materialize automatically. They must be earned by a focused, adequately funded and skillfully executed marketing program.”

As a commodity, BC has all the natural resources, attractions and currency advantages that should lead to a flourishing tourism industry. It is our observation the industry is underachieving and, as a result, tourism investment and provincial revenues are less than they could be particularly in the part of BC referred to as the “250 economy”.

The BC Chamber encourages the government to continue to view tourism as a new resource portfolio and aspire to new investments. In addition the tourism industry produces significant value added benefits entirely within the province and the economic returns from tourism investments are realized almost immediately and augment regional GDP across the province. However, the existing industry will continue to underachieve until British Columbia is effectively promoted in high yield target markets. Without a centralized strategic marketing plan backed by the funding necessary to sell BC the tourism

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industry will continue to fall short of its potential, particularly in light of the governments stated goal of doubling the tourism contribution to provincial revenues and the rapidly approaching 2010 Olympic opportunity.

International competition for tourist dollars has intensified as other provinces, states and countries have recognized the wealth generating opportunities of the tourism industry and have increased competitive spending accordingly. The same cannot be said for funding for Tourism BC, the principal marketing mechanism for the province.

Incremental funding for implementation of the industry developed Olympic Marketing Plan, under the guidance of Tourism BC is urgently required. Current funding levels are barely adequate to maintain existing levels of growth but are clearly inadequate to grow market share and are absolutely inadequate if BC is to realize the anticipating benefit of hosting the 2010 Olympics.

Additionally, the Chamber believes that British Columbia itself is a target market and more in-province promotion is required to retain domestic tourism revenues and increase regional traffic. While "*Tourism BC works with the regional tourism associations in bringing visitors into the specific region*", as noted in the Committee Report to the Legislature, the reality is that there are insufficient dollars and an insufficient mechanism to realize domestic potential.

THE CHAMBER RECOMMENDS

That the provincial government

1. acknowledge the Tourism British Columbia operating model and engage Tourism British Columbia and other key stakeholders in the development of a comprehensive tourism strategy to ensure the province is able to fully leverage the opportunities provided by 2010.
2. amend the Hotel Tax Act to allow no less than one-half of the funds collected in the 8% hotel tax to be allocated to Tourism BC; and
3. recognize the priority of promoting domestic tourism and retain more of the revenue available within BC.

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VISITOR INFO CENTRES (2004)

In its First Report to the Legislative Assembly the Select Standing Committee on Crown Corporations made a number of “Observations” and “Recommendations” regarding the focus and activities of Tourism British Columbia. The BC Chamber largely agrees with the findings of the Committee save for “Observation #6.”

“One member commended Tourism BC for its “stellar” international and national reputation and its successful operations of visitor information centres.”

The principal reason for the success of community Visitor Information Centers (VICs) is the commitment of Chambers of Commerce, Tourism Bureaus and other community organization’s throughout BC. Community VICs are managed and largely subsidized by local organizations, primarily Chambers of Commerce whereas the five Gateway VICs are operated and financially supported by Tourism BC. Tourism BC, the tourism industry and local economies are the major beneficiaries of the services provided by all VICs. While chambers understand the value of VICs, both locally and provincially, there is genuine concern over the cost of delivering VICs services at a community level on behalf and to the specifications of Tourism BC. Many Chambers have withdrawn from this program because they can not sustain the expense from limited budgets, particularly as demand requires many VICs to be open year-round.

VICs play a vital role as strong economic generators for both the tourism sector and for the provincial economy. Research carried out by Tourism BC at 10 VICs between 2001 and 2003 has shown that many visitors extend their stay and/or plan a return visit to the region as a result of information and travel counseling received at VICs, creating a valuable economic impact for the provincial economy. For example, information received by visitors to the Kamloops VIC during the month of August, 2001, led to an estimated \$139,000 of additional spending by visitors during their trips. The experience at the Kamloops VIC also led visitors to plan return trips which would result in spending of an additional \$2.8 million - if those planned trips actually occurred.

To ensure the continued success of community VICs the Chamber feels it is in the best interests of community VICs that Tourism BC;

- ensure that funding levels provide the resources required to meet the standards and goals established by Tourism BC
- provide a greater degree of clarity in the formula used to determine funding levels provided to each community VIC so that sponsoring organisations can focus their energy and resources accordingly
- create greater certainty regarding long term funding for community VICs so that sponsoring organisations are able to undertake long terms planning for their operation.

With many VIC operators struggling to ensure sufficient funding levels to provide a high level of service (or indeed any service) on a day to day basis there has been a significant lack of capital investment in many community VICs throughout the province. This lack of investment is particularly marked when viewed in comparison to the level of capital investment in the 5 Gateway centres operated by Tourism BC. This disparity has meant that services and standards offered between different VICs are not consistent throughout the province; with many unable to offer such services as electronic booking

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services, RV parking, handicapped washrooms etc. The Chamber believes government and Tourism BC must ensure that the capital investment in infrastructure is available to ensure that all visitors to the province receive the same services and standards regardless of which VIC they access.

2010 presents significant opportunities for the tourism sector in BC, both before and beyond the actual games themselves. The services provided by community VICs are essential to any provincial economic development strategy which is focused on ensuring that the whole of the province is able to benefit from the increased tourist volumes that will be generated by the unprecedented exposure associated with the Olympic and Paralympic games.

To ensure that VICs are able to undertake long term strategic planning in preparation for the increased visitors generated by 2010 the Chamber would like to see Tourism BC and the provincial government work together to develop a clear, transparent funding formula which would allow VICs a greater degree of certainty regarding future funding levels. The importance of this issue will only increase, as strategies are developed to capitalise on the opportunities presented by the 2010 games.

THE CHAMBER RECOMMENDS

That the provincial government;

1. recognize the priority of providing a level of funding for Tourism BC that allows them to ensure that funding for community VICs is commensurate with the resources required to deliver this service rather than requiring organizations across BC to subsidize the program.
2. establish a capital fund for VICs to access to allow parity in the standards and services offered by all VICs in preparation for the 2010 Games.
3. ensure priority to providing funds that enable VICs to be adequately staffed, specifically during the shoulder and winter seasons; and
4. direct funding to ensure regional distribution

S KILL DEVELOPMENT AND LABOUR

APPRENTICESHIP AND SKILLS TRAINING IN SECONDARY SCHOOLS AND RED SEAL RECOGNITION (2004)

Several business and government studies, including the 2002 Skill Shortages Initiative of the BC Chamber of Commerce, have clearly recognized the present and growing shortage of skilled trade's persons.

The number of qualified immigrants with trade skills are no longer filling the demand.

Only 20% of high school graduates go on to university and most of the remaining 80% do not have the opportunity to participate in apprenticeship and skills training in their high school years.

Students should be offered information about skills training and apprenticeship programs as early as grade's 6 and 7 as an alternative to academic studies, together with an opportunity to participate in those programs.

The 2002 Skills Shortage Initiative did recommend, in general terms, that more be done in the public school system to promote the trades and apprenticeships. The government has listened to this call from business with the creation of the Industry Training Authority (ITA). From its \$77 million budget the ITA currently operates the Secondary School Apprenticeship Program (SSA). This program provides students at the age of 15 with the opportunity to begin an apprenticeship while at high school. While the Chamber welcomes this program as a step in the right direction it does not go far enough.

In Richmond there is a good example of a locally driven initiative to address this issue. The Richmond Chamber of Commerce, in partnership with the Richmond School Board, Kwantlen University College, students, Parent Teacher Associations and school trustees, has been part of a pilot program to bring apprenticeship programs into the high school curriculum.

Much of the success of the project has been due to that partnership and to the involvement of local, volunteer "champions" for the project. That project should be expanded to all secondary schools, as early as at the grade 6 or 7 level.

There are currently approximately 70 trades in BC for which apprenticeships are available, but only about 45 of those are covered by the "Red Seal" program whereby a Journeyman Certificate is recognized across Canada.

THE CHAMBER RECOMMENDS

1. the provincial government invest resources, including targeted funding, in secondary school students to develop programs for apprenticeships and skilled trades starting in grades 6 and 7;
2. the Provincial government, in cooperation with the Federal government, establish national standards for all Journeyman Certificates which would be valid and recognized throughout Canada.

HUMAN RESOURCE DEVELOPMENT INVESTMENT TAX CREDIT (2004)

Due to increasing skill shortages, the aging of our workforce and global competition, BC's human resources has become a top public policy and private sector priority. Human capital—whether it is post-secondary education or work-based training—is a key part of our new economy. Local Chambers and the BC Chamber of Commerce have built awareness on this priority in recent years.

Small and medium-sized enterprises (SMEs) in BC need innovative public policies and flexible training programs to support their human resources development. One of the key barriers to SMEs providing training and skill development opportunities for their employees is the direct and indirect costs of these types of investment. Several business organizations and many individual Chamber members throughout the province have advocated new models for financing employee training. These range from training trust funds among groups of businesses to government-business cost-sharing to other options.

One option that has received much positive reaction from SMEs is the concept of a tax credit for training investments. This type of incentive was the subject of interest during the provincial Select Standing Committee on Finance and Government Services' budget consultation in 2002. This policy option could be as narrow as providing tax credits for direct formal training costs or as broad as offering tax incentives for both enterprises and individuals for investments in a broad range of human resource development-related activities.

Little research and policy analysis has been undertaken on training tax credits. However, in "*The concept of a human resource investment tax credit as a means to increase training in BC*", a discussion paper prepared for the Industry Training and Apprenticeship Commission (ITAC) in September 2001, Roslyn Kunin, Ph.D. concludes the following: "A training tax credit could benefit BC by increasing the level of human capital and speeding the transition to a knowledge-based economy" (p. 19). More recently, in a technical paper on "*Encouraging Workplace Training – Towards a Federal Skills Investment Tax Credit*" (2002) for the Ontario Ministry of Training, College and Universities, DRI-WEFA concluded:

"Based on existing empirical work it can be demonstrated that gains in economic output could outweigh the program costs of a tax credit based training program. These range from a 2 to 1 gain up to 4 to 1 gain to the economy depending on the assumptions made."

While many details (e.g. eligibility, administration, cost-benefit, etc.) would have to be worked analyzed and worked out, the BC Chamber believes that a human resource investment tax credit would be a progressive and effective tax incentive to stimulate training that would like to a greater number of skilled workers throughout the province. The Chamber's Critical Skills Task Force strongly supports this tax initiative.

Canada's tax system supports companies who invest in research and development, purchase manufacturing equipment, etc.; why should it not reward those who invest in our most important capital—human capital?

THE CHAMBER RECOMMENDS

The provincial government acknowledge the need to introduce a national human resource investment tax credit program in BC and work with the federal government to introduce such a program.

TRANSPORTATION INFRASTRUCTURE (2003)

There are a number of transportation infrastructures issues around the province that could economically stimulate the province of British Columbia if they are properly planned on a regional basis. In the Northwest, for example, these issues include:

- containerization of the port of Prince Rupert
- daily ferry service, during the summer months, on the Inside Passage (Port Hardy to Prince Rupert)
- improved rail connections to improve access to, and transportation of, the province's resources and products
- resource road to allow ready access from the existing mine and mining potential north of Meziadin to the port of Stewart
- completion of the Nisga'a Connector to join Highway 37 to the Nisga'a Highway to open up the Nass Valley and allow direct through-traffic from the north of the province to the northwest

The province, as a whole, will benefit through increased taxes paid to the province and new industry and resource development as a result of a co-ordinated effort to improve transportation infrastructure in British Columbia.

The province is currently constituting Regional Transportation Advisory Committees (RTACs). This is a good first step but comprehensive planning must begin immediately.

THE CHAMBER RECOMMENDS

That the province develops cohesive, comprehensive regional transportation infrastructure development plans.

1.

PROVINCIAL SALES TAX (2002)

In the 2002 budget, the provincial government increased provincial sales tax from 7% to 7.5% effective at midnight that night. Small business has always bristled at having to make sales tax changes instantly. These changes not only take time but also divert resources from serving customers to serving the government.

The government reasons that immediate implementation is necessary because consumer reaction could produce negative consequences. Indeed, retailers reported long lines of people wanting to stock up on cigarettes to avoid the new consumption tax. Alternatively, consumers would delay purchases with a tax decrease.

In this case, there were retailers whose point of sale systems could only handle full percentage point increases in sales tax. Many were unable to accommodate the .5% increase and until they were able to put new systems in place, charged 7% sales tax and the balance came out of profits. There were reports that yet other businesses charged 8% and calculated the difference for customer refunds. Either way, it fell on the business owner to adapt.

Business friendly means truly understanding the time and energy that business devotes to creating profit. What appears to be a small change can create huge costs. Small business is the economic driver that is going to help pull our province out of economic doldrums and government needs to be responsive to its needs. The Chamber questions whether the costs for business outweigh the costs associated with consumer reactions.

The provincial government reported that the hike in the sales tax was necessary to pay for recent public sector wages. As the economy and the province's financial situation improves, the expectation is that provincial sales tax should decrease. The provincial government has in fact stated that it would consider rescinding the .5% increase in the PST when the budget is balanced.

THE CHAMBER RECOMMENDS

1. that the Ministry of Finance and the Consumer Taxation Branch work with The Chamber to develop a workable framework for future changes in Provincial Sales Tax; and
2. that the provincial government rescind the .5% increase in the PST upon achieving its goal of balancing the budget and at that time consider further reductions to the PST to make BC tax competitive.