

2022

# POLICY MANUAL

Kamloops Chamber of Commerce

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# Provincial Policies

# Unlocking the Potential of Forest Residual Biomass

## DESCRIPTION

Currently, B.C.'s forest, climate and energy policies are not unified on maximizing the value of forests for all stakeholders, leaving some gaps in B.C.'s policies and opportunities that will be needed to achieve Canada's climate targets under the Paris Agreement (St-Laurent et al., 2017).

This policy looks to remove operational challenges associated with the availability and accessibility of B.C. forest residues. This will enable better use of our forest resources, help with new job and industry creation, and help Canada take a step towards achieving climate change targets.

## BACKGROUND

### Canada's Forest Industry

Forests are a major source of wealth for Canadians, providing a wide range of economic, social, and environmental benefits. Approximately 95 percent of B.C.'s forests are publicly owned, allowing the Province to help determine where, when, and how forest resources can be used for the best long-term benefit of its citizens.

This is achieved through government regulations defined in the Forest Act, which largely govern the actions of private businesses who operate at various stages of the harvesting lifecycle: planning, planting, and forest management; road-building and harvesting; wood product manufacturing (primary and secondary); pulp, paper and bio-refining; and forest product marketing.

These actions benefit Canadians in a number of ways, including direct and indirect economic stimulus.

In 2018, total economic output for the sector was \$33 billion; total GDP from the forestry sector was \$12.9 billion...

The forest industry contributed approximately \$1.4 billion (federal), \$2.6 billion (provincial), and \$200 million (municipal) to government revenues. The sector is the primary employer in many parts of the province and approximately 40% of B.C.'s regional economies are dependent on forestry through directly harvesting and/or processing forest products. Forestry-related activities directly support over 7,000 businesses and employ 140,000 British Columbians in 60,000 direct and 81,000 indirect jobs; generated \$8.6 billion in wages to workers...

A study from 2017 confirmed the importance of the industry to BC showing that it generated 1 out of every 17 jobs in the Province.

Value also flows back to Canadians through Stumpage. Stumpage is a payment for use of a public natural resource and is not the same as logging tax. The money raised by stumpage is used to fund vital social services such as education and health care

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## Forest Residuals (fibre)

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<sup>1</sup> <https://www2.gov.bc.ca/gov/content/taxes/natural-resource-taxes/forestry/stumpage>

British Columbia and the rest of Canada's provinces have some of the most comprehensive forest management policies in the world and are globally recognized for producing sustainably derived forest products<sup>2</sup>. Typically, these forest products are produced using conventional logging techniques where the tops and branches are removed and discarded and only the trunk (round wood) is removed from the forest as this is usually the most valuable part of the tree.

Forest Residuals or "Residual Fibre" refers to the fibre that is left behind on a site after primary harvesting operations have been completed. This fibre includes smaller and poor quality logs, pieces of logs, branches and other woody biomass. This waste is most often left in a cut block, piled by machinery in large "slash piles" and burned with the intention to reduce the fire hazard that exists on a site post-harvest.

The volume of this wood fibre material, which is simply burned, instead of being utilized, is substantial. Recent data indicates that approximately 24.23 Green Metric Tonnes of this fibre is produced per hectare of forest which is logged. Logging currently occurs on about 190,000 hectares (470,000 acres) of forest per year in B.C.<sup>3</sup>. This means that approximately 4,600,000 Green Metric Tonnes of B.C.'s wood fibre resources are simply burned each year, rather than utilized to support the economy and fund public infrastructure.

Forest residues represent a large, underutilized public resource in Canada. Other countries around the world (such as the US and Europe)<sup>4</sup> have identified means to maximize their forest resources through fibre recovery. Canada could do likewise.

### Effective Policy Works

Overcoming this challenge has been a topic of discussion for decades in Canada. Increasing the recovery and use of this fibre has recently been identified as a significant priority for the government and forest sector in British Columbia.

B.C. is currently implementing various initiatives to enhance the utilization of residual fibre left on roadsides and landings within cut blocks which would otherwise be burned, but there are still many economic challenges within the current policy framework for these practices to be adopted on a larger scale.

Canada, however, is not the only country with vast forest resources and many lessons can be adopted from other countries in the world who have found effective methods

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<sup>2</sup> Research Intelligence Group. (2015). Consumer Market Acceptance Research: Forest Products.

<sup>3</sup> [https://canadaslogpeople.com/en\\_ca/about/bc-forest-facts](https://canadaslogpeople.com/en_ca/about/bc-forest-facts)

<sup>4</sup> Fraser Larock, The Potential of Increasing The Use of BC Forest Residues For Bioenergy and Biofuels, 2018

to maximize these public resources. The US and Sweden are both examples of countries with highly efficient forest management which includes residual fibre recovery (maximizing their forest resources).

## THE CHAMBER RECOMMENDS

1. Forge strong relationships with Indigenous peoples to increase access to fibre and generate new economic opportunities for Indigenous communities.
2. Renew the existing successful Forest Enhancement Society of BC funding to access greater volume of economic fiber. We are asking for Provincial and Federal funding to continue for the next 3 years (\$15 - \$20 MM per year).
3. Reinstate the logging waste recovery economic framework to incent full implementation of our forest resources.
4. Approve 4 trials through-out the Province for commercial thinning (fuel management). This will reduce future wildfire risk, while at the same time help the Province to develop effective future fuel reduction programs. This is a major source of fiber supply in every developed country except Canada – it is time we caught up with the rest of the world.
5. As a part of the Forest Enhancement Society of BC funding, continue the proven program to create opportunities for employment and fiber recovery through the salvage of wildfire damaged wood, rather than letting these resources go to waste.
6. Indicate that the forest industry's costs to manage non-timber values is adequately recognized and that the forest industry pay to manage other forest resource users and values unless there is a direct cost recognition in the timber pricing system. This could include residual fibre deliveries, Indigenous people's consultation, and range management costs among others.

# Implement the Development Approvals Process Review (DAPR)

## IMPLEMENT THE DEVELOPMENT APPROVALS PROCESS REVIEW (DAPR) REPORT

For years, chamber members have expressed significant challenges posed by local development approvals processes across the province.

As a result of the pressure from key stakeholders, the Development Approvals Process Review (“DAPR”) was initiated by the Ministry of Municipal Affairs and Housing, in collaboration with various stakeholders, to address challenges and identify opportunities for improvement in the current development approvals process and to support local governments in eliminating barriers to affordable housing and accelerate the construction of the homes they need in their communities.

DAPR consultations brought together diverse stakeholders from organizations across the province, enabling the Ministry to undertake a broad review of the development approvals processes. Throughout these consultations, several opportunities were identified that would guide and assist local governments and the province in revising and improving development approvals processes. The challenges and opportunities that were identified are laid out in a comprehensive report dated September 2019 (the “DAPR Report”).

Within the DAPR Report, the Ministry confirms that “...the development sector has grown and changed over the past few decades to become one of the largest industries in the province. In 2017, residential development alone was responsible for nearly \$12 billion in wages and nearly 200,000 jobs. Strong demand has increased competition for building sites, particularly in high-growth areas, resulting in shorter option periods when acquiring land. This creates great risk for developers and heightens the need for certainty at the outset of the development process.”

Further, the purpose of DAPR is to “empower local governments to eliminate barriers to affordable housing and accelerate the construction of homes people need.”

The Ministry has confirmed that that Phase 4 – the implementation phase - of DAPR is underway, however there has not been any significant changes enacted to date.

The opportunities presented in the DAPR Report would significantly improve the development approvals process and should be implemented.



## BACKGROUND:

The DAPR Report was prepared in September 2019. This process was initiated as part of the Ministry's commitment to empower local governments to eliminate barriers to affordable housing and accelerate construction.

DAPR consists of four phases, with the first three focusing on stakeholder consultation. These consultations identified the key challenges and opportunities felt by the stakeholders and formed the basis for the DAPR Report. The Ministry noted that phase four would include consideration and analysis of particular opportunities in consultation with stakeholders and implementation of solutions as appropriate.

Specifically, the following is a summary of the key issues, challenges, and opportunities set out in the DAPR Report:

### 1. Local government application process

The local government processes for planning and land use are flexible, which has resulted in considerable process variations and differing requirements between local governments.

The specific challenges include inconsistent guidelines, complex requirements, a lack of transparency, and a lack of consistency between local governments.

The opportunities identified by these challenges include triaging applications, implementing a digital permit tracking system, creating a model Development Approvals Procedure Bylaw, best practices, improvement to staffing education and training, support from the provincial government, and minimum liability insurance for professional positions.

### 2. Local government approval processes

#### A. Delegation of authority

The Province provides authority to local governments for development approval tools under several pieces of legislation: the *Local Government Act*, the *Community Charter*, the *Building Act*, and the *Vancouver Charter* (applying to Vancouver only). Legislation specifies which decisions must be made by elected officials, which may be delegated to staff and which must be made by staff.

The specific challenges include issues around requiring an elected official to approve various applications, which lead to increased timeframes and uncertainty, and the necessity of approval where an application aligns with the Community Plan.

The opportunities identified by these challenges included empowering elected officials delegating to individuals to approve, reframe legislation, implement an appeal process, training and/or best practices guide for conducting meaningful and robust public consultation process for OCP and pre-zoning, and delegate approval for subsequent applications.

## **B. Public Input process**

Public hearings are required for all development applications that seek amendments to OCPs and to zoning bylaws that are not consistent with the OCP. Public Hearings can be waived for rezoning that are consistent with the OCP, however many local governments choose to hold a public hearing regardless.

The specific challenges include that the public hearing process is ineffective and typically occurs late in the development process after significant costs have been incurred. They also attract and empower interest groups that may not have the community's best interest in mind and may not even be impacted by the application.

The opportunities presented by these challenges include improving the public hearing process including receiving more meaningful, earlier input from the public, advertising requirements, and using OCPs in the development approvals process, including provincial funding for the OCP updates and removing the requirement for public hearings for minor amendments.

## **3. Development finance tools**

Development finance tools play a significant role in the development approvals process as they are key mechanism by which local governments invest in the infrastructure, services, and amenities needed to support new development. These are often in the form of development cost charges (DCCs) and community amenity contribution (CACs).

The challenges identified include the fact that DCCs do not provide funding for maintaining and replacing infrastructure and can only be collected for limited uses. As such, local governments have increasingly relied upon CACs to address public expectation for a range of neighborhood amenities, however CACs are unclear and create considerable cost and approval uncertainty.

The opportunities presented by these challenges include conducting a comprehensive review of the development finance tools including defining CACs in legislation, removing the ability of local governments to levy CACs, create a new development tool called Super DCCs, new best practices guidance, secure and provide more reliable funding for local governments as a means of reducing funding pressure from DCCs and CACs, and training.

## **4. Subdivision**

Subdivision applications must be approved by an approving officer appointed under the *Land Title Act*. Approving officers are quasi-judicial officials who act independently to

ensure that subdivisions comply with provincial acts and regulations, and with local government bylaws for official community plans, zoning, servicing, and other plans and bylaws.

The challenges identified include uncertainty around the role of the approving officer, inadequate training opportunities, low capacity, and preliminary layout plans are not used consistently, although useful for the developer.

The opportunities presented by these challenges include developing enhanced communication material about the subdivision approval process, providing regional district the authority to have their own approving officers, developing model letters that governments could use to provide guidance to proponents early in the process, and enabling governments to use cash-in-lieu for parkland dedication more widely.

Overall, the Guiding Principles established by DAPR include:

1. Achieves Outcomes in the Public Interest
2. Certainty
3. Transparent Access to Information
4. Collaborative
5. Flexible
6. Timely
7. Balanced

## THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Recognize and create a plan to implement the DAPR Report as a whole;
2. Implement various opportunities set out in the DAPR Report through both legislative and non-legislative changes; and
3. Work together with local municipalities including education around DAPR and assistance in implementing the opportunities presented in the DAPR Report as set out in the foregoing legislative and non-legislative changes.

### **Resources:**

1. [Development Approvals Process Review Report Sept 2019.pdf](#)

# BC PNP and Temporary Foreign Worker Program

*- to be received from Whistler Immigration*

# Filling the Province's Nursing Schools

## BACKGROUND:

In February 2022, the provincial Ministry of Advanced Education announced an increase of 602 new nursing seats to public post-secondary institutions.<sup>1</sup> This move was very timely – in a fall 2021 (survey) of more than 3,000 BC nurses by the BC Nurses Union, 68% of all respondents said staffing at their worksite over the last three months had been inadequate, while 74% of respondents said staffing had impacted practice standards. Most worrying, 35% of all nurses said the experience of the pandemic made them more likely to leave the profession in the next two years, with 51% of emergency and ICU nurses saying the same. Of even greater concern is that the proportion of those likely to leave nursing due to the pandemic is highest among those aged 20-29 (42%).<sup>2</sup>

This exodus of young nurses, if it occurs, could be even more challenging for our province's health care system, combined with provincial pre-COVID data that indicates that B.C. would be short by 24,000 nurses by 2029,<sup>3</sup> with 22% of all currently employed nurses in B.C. aged 55 or older.<sup>4</sup> In short, we face a rapidly aging workforce at the same time as the next generation considers leaving the profession – a double disaster.

While 602 new seats is a positive start, more can and must be done. For example, Thompson Rivers University received an increase of 10 BScN seats and 15 LPN seats for September 2022, in accordance with the School of Nursing and Population Health's request. The School of Nursing has the capacity to fill up to 80 total new seats with the proper funding and planning time. In order to meet the province's current and future nursing shortage, there is a clear need for the provincial government, post-secondary institutions like TRU and health authorities to collaborate more to address the issues required to accommodate the larger number of students that is needed immediately and into the future.

## THE CHAMBER RECOMMENDS:

That the provincial government collaborate immediately with Thompson Rivers University's School of Nursing and Population Health and other post-secondary institutions with nursing schools and with Interior Health and other provincial health authorities to provide both the resources to fill all available seats in nursing school programs in the province's schools as well as the resources required to expedite the process of opening those seats as soon as possible.

# Federal Policies

# Fair Taxable Benefit Exemptions for Employee Gift Cards

## BACKGROUND:

Food and fellowship at work are often connected. After all, what's a staff meeting without coffee and donuts? (Indeed, to some, they're the only reason to show up.)

Food provided by employers can be a vital part of important team-building exercises, a way to show management's appreciation for a job well done or to celebrate an accomplishment.<sup>5</sup>

The COVID-19 pandemic has greatly increased the prevalence of remote work – in many cases, employers continue to offer remote work opportunities and have made some jobs permanently remote in nature. This has a knock-on negative effect on businesses in central business areas built around servicing other businesses.

In order to try to facilitate some of that in-person interaction or celebration over food in a remote work environment, and in order to spur local economic development, many employers have increased the use of gift cards in small amounts for staff – but in doing so, they run into challenges when it comes to recording taxable benefits for the receiving employees.

Under current Canada Revenue Agency rules, employers are allowed to provide non-cash gifts and awards to employees up to a combined total fair market value of \$500 per year in recognition of service without being counted as a taxable benefit, while “items of small or trivial value” such as coffee or tea, employer logo wear, mugs, plaques or trophies are not required to be calculated in that total.<sup>6</sup>

However, CRA rules specify that near-cash gifts or awards, such as gift certificates or gift cards, are always a taxable benefit for the employee.<sup>7</sup> The fact that employees now work remotely turns those items of small or trivial value, which did not even need to be accounted for in the \$500 exemption for non-cash gifts and awards, directly into taxable benefits which must be recorded by employers and the taxable value deducted from employee pay statements, resulting in administrative burdens and negative effects for employee morale.

The purpose of the CRA policy on near-cash gifts and awards - to ensure employee compensation is properly accounted for by both employee and employer – is beyond

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<sup>5</sup> <https://www.waiter.com/blog/employee-relations/eat-together-succeed-together-sharing-office-meals-can-improve-teamwork>

<sup>6</sup> <https://www.canada.ca/en/revenue-agency/services/tax/business-topics/payroll/benefits-allowances/gifts-awards-social-events/gifts-awards-long-service-awards.html>

<sup>7</sup> [https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4130/employers-guide-taxable-benefits-allowances.html#P1321\\_9745](https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4130/employers-guide-taxable-benefits-allowances.html#P1321_9745)

question. The challenge in this new era of remote work is ensuring its fair application without creating unreasonable burdens.

Tax authorities in other jurisdictions, such as the Internal Revenue Service in the United States and the government of India, have previously recognized de minimis levels of fringe benefits.<sup>8</sup> In Quebec, gift cards or gift certificates may be given to employees as non-taxable gifts or awards up to \$500 as long as a merchant identified on card (ie. no prepaid Visas).<sup>9</sup> The United Kingdom allows non-refundable store vouchers of up to £50 to be given to employees without being labeled as taxable benefits.<sup>10</sup>

### THE CHAMBER RECOMMENDS:

1. That the CRA amend its policy to allow employers to provide gift cards from recognized merchants (not prepaid Visas) of up to a total value of \$500 in a calendar year for any employee who works from home for at least 20% of their working time, as recorded on that employee's T2200 (Declaration of Conditions of Employment) or T2200S (Declaration of Conditions of Employment for Working at Home Due to COVID-19), without said amount being declared as a taxable benefit to the employee;
2. That the CRA permit an income-splitting arrangement for near-cash gifts given to employees where CRA will forgive 50% of the taxable benefit if the company charges back 50% of the value, similar to the charge back on insurance premiums.

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<sup>8</sup> <https://www.irs.gov/government-entities/federal-state-local-governments/de-minimis-fringe-benefits> and <https://timesofindia.indiatimes.com/business/wealth/tax-planning/your-diwali-bonus-is-not-tax-free/articleshow/87149272.cms>

<sup>9</sup> <https://www.payroll.ca/FAQ-en?searchtext=&searchmode=anyword&filterbykeyword=&smartsearchfiltercategories=7%3b>

<sup>10</sup> [https://www.gcva.co.uk/downloads/factsheets/fs\\_tax.pdf](https://www.gcva.co.uk/downloads/factsheets/fs_tax.pdf)



# Expiring Policies

# Changing BC's Sales Tax Model – Moving Beyond the PST

BC's tax competitiveness is seriously undermined by the antiquated Provincial Sale Tax. As a small, open trading jurisdiction this cannot be left unaddressed if BC wishes to advance itself as a competitive jurisdiction.

## BACKGROUND

The move to a HST was greeted with wide support from the business community and virtually unanimous support from academics. This support was based on a recognition that the HST would result in increased competitiveness; increased productivity; harmonisation with most of the Canadian and global economy; stable government revenue and a reduction in paperwork for business.

A value added tax is common throughout the world and highly relevant to goods and services taxes and should be considered as important aspects of our future economy, particularly competitive advantage and productivity.

Since 2001, the provincial government has maintained a sustained effort of tax reductions for both individuals and business, which has placed BC as a leader in many taxation categories.

**Table 1 – Interprovincial Comparisons of Business Tax Rates**

	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
General Rate	12 <sup>a</sup>	12	12	12	11.5	11.6	14	16	16	15
-Manufacturing	12	12	10	12	10	11.6	14	16	16	15
-Small Business	2	2	2	Nil	3.5	8	2.5	3	3.5	3
Small Business Threshold (000s)	500	500	600	450	500	500	500	500	500	500
Corp. Capital Tax										
– Financial (Small Financial)	Nil	Nil	4 (0.7)	6	Nil	1.25	5 (4)	4	5	6
Payroll Tax (%)	1.95	Nil	Nil	2.15	1.95	4.26	Nil	Nil	Nil	2
Sales tax <sup>b</sup>	7	Nil	6	8	8	9.98	10	10	10	10

<sup>a</sup> BC's Corporate tax was 10% prior to the 2013 Provincial Election.

<sup>b</sup> On April 1, 2013 BC joined Saskatchewan and Manitoba as the only provinces who levy sales tax on business that is not offset by tax credits

As shown in Table 1, BC is still competitive today in a Canadian context across a range of key business tax rates. It must be noted, however, that these rates are focused on established businesses generating revenue or making sales (except for sales tax, which

in BC, Manitoba and Saskatchewan is paid on business inputs). Future economic growth in BC will depend upon our ability to attract investments and new economic activity. If investment and new economic activity are the goal, BC's tax picture looks very different.

To understand BC's taxation landscape, as it relates to new investment, it is necessary to review BC's Marginal Effective Tax Rate (METR).<sup>[11]</sup>

**Table 2 – METR Rates by Province 2012, 2014<sup>[2]</sup> & 2017<sup>[3]</sup>**

	2012	2014	2017
BC	17.8	27.5	27.7
Canada	17.4	19.0	20.3
Alberta	17.0	17.0	19.1
Ontario	18.2	18.2	19.0
Quebec	15.2	15.9	18.2
Saskatchewan	24.3	24.3	24.2
Manitoba	26.2	27.9	26.1
Newfoundland	10.7	10.7	11.4
Nova Scotia	13.4	13.4	18.7
New Brunswick	2.8	4.8	12.9
PEI	28.1	11.4	13.9

In 2012, BC was the 6<sup>th</sup> most competitive jurisdiction in Canada and well-placed against our western neighbours and in relation to Ontario – in short, against our competing jurisdictions. By contrast in 2014, we saw BC drop to the bottom of the Canadian ranking. This difference is due to the fact that British Columbia – like Saskatchewan and Manitoba – “continues to levy the retail sales tax, which results in a significant tax on capital investments (other provinces have harmonized their sales tax with the federal GST, and Alberta has no sales tax, so capital taxation is less severe).”<sup>[14]</sup> In 2017, BC's METR declined a little further, which – combined with an improvement of Manitoba's METR – has resulted in BC being last among all the provinces.

It's worth noting, the above METR calculations do not capture the full impact of the PST on BC's competitiveness. This measurement only takes into account the PST on capital investment. The PST also applies to non-capital inputs that are used in business operations. In fact, the PST paid on non-capital inputs is four to five times the amount levied on capital inputs.

The other aspect of competitiveness is in regard to BC's critical export industries. As a jurisdiction, BC has a smaller export base to most other provinces, as such it is critical

that attention is paid to any tax changes that will negatively impact BC exporters' ability to compete in other markets. The PST is a significant barrier in this regard. As a small, open trading jurisdiction, BC exporters compete with producers from across the globe, the majority of whom do not have a sales tax structure that embeds costs at every stage of production as does the PST. Indeed, if we look at jurisdictions that levy a PST system, we see that BC stands relatively alone as one of only 3 jurisdictions in Canada that do not have a value-added sales tax in place. This makes BC the exception to the more than 130 countries worldwide that do have a value added tax. As such, these global producers have a significant competitive advantage over BC producers who endeavour to remain competitive by building these costs into their price. A VAT would also make BC producers more competitive against foreign competition who are selling in the domestic market for the same reason. This is also an issue for many of BC's resource industries that are the foundation of economic prosperity for communities across the province. Commodity-based exporters are price-takers in the global market context. PST represents a significant cost for the extraction and production of resources and in turn reduces profits and, therefore, the ability of these companies to further invest in innovation and job creation.

### The Productivity Imperative

The single biggest determinant of our per capita income and our ability to raise wages and living standards is our productivity – in short, how efficient is our economy? Countries that are innovative and able to adapt to shifts in the global economy will see higher productivity and thus a higher standard of living. While there are a variety of factors that contribute to enhancing productivity, it is recognized that improvements will require investment in equipment and technology, particularly investments in information and computer technology. While BC's productivity performance is reason enough for government to find ways to boost investment in technology and equipment, the Chamber believes the ongoing demographic shift must make this one of the highest of priorities for government. We know that the baby boomer generation is transitioning to retirement. While older workers are more encouraged to remain in the workforce, we can anticipate 615,000 workers will need replacements due to retirement between 2018-2028. During this same period, BC can expect to create 288,000 new job openings through economic growth while there will only be 454,000 new entrants to the workforce to help fill these positions.<sup>15</sup> This represents a shortfall of 449,000 positions that will need workers to fill them. While interprovincial migration and immigration will go a long way to make up that shortfall, we need to ensure this challenge does not impact the BC economy. To do so, we must ensure improve our productivity levels, which means a VAT is key.

### The Importance to Small Business

While many of the arguments in favour of a value added tax focused on its broad provincial impact, this is an issue of particular importance for small businesses given the strength of BC's small and medium sized businesses for our economic prosperity.

BC's small business sector is critical to wealth generation and our capacity to grow and innovate. Employing over one million British Columbians, small business is responsible for 54% of all private sector employment in the province.<sup>[6]</sup>

While the concentration of small businesses largely reflects the economy at large with a significant focus on service sector industries, small businesses are significant economic generators. Small businesses shipped approximately \$18 billion worth of goods to international destinations in 2016, comprising over 43 per cent of the total value of goods exported from the province. In addition, small businesses are driving BC's innovation industries with 10,105 small businesses in British Columbia's high-tech sector in 2017, which represents about 96 per cent of all high technology businesses.<sup>[7]</sup>

This places small business as one of the key beneficiaries of a VAT. In fact, one of the largest productivity challenges facing BC is the difficulty small businesses face in accessing capital to invest in innovation or productivity enhancements. As such, the current PST has a disproportionate impact on these small businesses compared to larger firms in terms of addressing productivity.

## The Solution

The competitiveness and productivity issues outlined above have long been an issue. Indeed, so many business organizations supported the introduction of a VAT because it addressed many of these issues.

Reform is needed. As we have demonstrated, the PST has a significant impact on BC's competitiveness and productivity. The Chamber realizes there might be little desire for significant reform to our sales tax system. Over the long term, though, government should engage in a meaningful consultation with British Columbians on our competitiveness and productivity and the role taxation plays. A key component of this dialogue must be the role taxation plays in enhancing our competitiveness and productivity.

The Chamber believes that the most damaging aspect of the PST and the aspect that therefore requires the most immediate attention is that the PST will be levied on investment in machinery and equipment. This is not to suggest that the PST will see an increase in cost on all machinery and equipment. The PST already exempts certain machinery and processing equipment used in manufacturing and agriculture. Reform needs to widen these scope of sectors that can access these savings to reduce complexity but also to reduce BC's METR.

Indeed, the Expert Panel on Tax estimates that offering an Input Tax Credit on the acquisition of machinery and equipment would cut BC's METR to 19%, significantly improving BC position in the Canadian context<sup>[8]</sup>

The Chamber recognises that this is not a measure that can be introduced immediately. The Expert panel on Tax estimates that this measure alone would result in a reduction in revenue to government in the order of \$489 million in 2014/15 rising to \$511 million in 2015/16 and to \$534 million in 2016/17<sup>[9]</sup>

Over the long term, government must engage in a meaningful consultation with British Columbians on our competitiveness and productivity and the role taxation plays, a key component of this dialogue must be the role taxation plays in enhancing our competitiveness and productivity.

The PST represents a cost of \$1.5 billion, while BC businesses are also facing rising costs on a number of additional fronts. Business is facing higher payroll taxes (including the new EHT) and WorkSafe BC premiums, an increasing carbon tax that is no longer revenue neutral, increases in the minimum wage, and uncompetitive municipal property taxes. This direct hit on companies' revenue is amplified by the ongoing permitting issues that continue to impede investment in our critical resource sector and the ongoing regulatory impediments facing business at every level.

## THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Provide a fully refundable investment tax credit claimed on businesses' income tax returns equal to the PST paid on all acquisitions of machinery and equipment (including computers and software) but excluding buildings and structures with a capital cost allowance rate of 5 per cent or less;
2. Continue to work with the chamber of commerce and others to find ways to reduce the administrative burden of the PST; and
3. Commit to a dialogue with British Columbians on the development of a made-in-BC Value Added Sales Tax system to enhance BC's competitiveness and productivity.

[1] METR is a measure used to compare the total tax burden on new investment by industry, type of investment, and size of firm. To do this, METR includes the effect of corporate tax rates, sales tax on business inputs, investment tax credits and other incentives, capital cost allowances, capital taxes and the ability to deduct interest costs.

[2] 2014 Annual Global Tax Competitiveness Ranking, Duanjie Chen and Jack Mintz, pages 12 &

13. <http://www.policyschool.ca/wp-content/uploads/2016/03/Tax-Competitiveness-Chen-Mintz.pdf>

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[4] 2014 Annual Global Tax Competitiveness Ranking, Duanjie Chen and Jack Mintz, pages

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[5] [https://www.workbc.ca/getmedia/1dce90f9-f2f9-4eca-b9e5-](https://www.workbc.ca/getmedia/1dce90f9-f2f9-4eca-b9e5-c19de9598f32/BC_Labour_Market_Outlook_2018_English.pdf.aspx)

[c19de9598f32/BC Labour Market Outlook 2018 English.pdf.aspx](https://www.workbc.ca/getmedia/1dce90f9-f2f9-4eca-b9e5-c19de9598f32/BC_Labour_Market_Outlook_2018_English.pdf.aspx) pg. 12

[6] 2018 Small Business Profile, BC Stats pg. 1

[7] 2018 Small Business Profile, BC Stats pg. 3 and 50.

[8] Expert Panel on Tax Report, Table 7

[9] The Panel does estimates that this would be offset by higher economic growth that would increase revenue by \$12, \$50 and \$115 million in the period 2014-2017

# Permanent Daylight Savings Time (DST) For British Columbia

Twice a year, in B.C. and in most parts of Canada, Canadians join with approximately 76 other countries around the world and practice Daylight Saving Time (DST). Since 2007, the clocks have moved forward on the second Sunday in March and then moved back on first Sunday of November.

In 2007, the B.C. government received 4,300 submissions from businesses, individuals and organizations and conducted a 4-week public consultation on expanding DST by an extra 3 weeks every year in order to align with the U.S. and other jurisdictions. The final tally showed that 92 percent of respondents favoured DST and the extra hour of daylight during the evening hours.

In 2019, the provincial government has launched a public engagement on the time changed that has garnered over 150,000 responses from British Columbians in just 1 week of the consultation process. This is clearly an issue top of mind for British Columbians and BC businesses like.

Currently, 78% of the world does not change time. In North America, only Saskatchewan, northeast B.C. and Arizona don't change time. Neither does other areas and countries, such as Hawaii, Puerto Rico, China, Japan, Russia, South Korea, India and most of Australia, South America and Africa.

In November 2015, a petition was launched to Stop the Time Change in B.C. Within the 4 months during Standard time (Nov – March), the petition has obtained almost 25,000 signatures, raised awareness across Canada and definitely started the conversation. There was a meeting held in November 2015 with provincial Ministers Terry Lake and Todd Stone to discuss the petition and start the conversation within the B.C. Legislature.

In 2018 and 2019, California, Washington State and Florida have overwhelmingly passed state legislature bills to remain on permanent Daylight Savings Time (DST). Oregon current has a bill introduced, but not yet voted on. In the United States changing the time requires federal approval. The states are now waiting for the federal approval to happen.

These states to would join Arizona, Hawaii, Saskatchewan and parts of British Columbia as jurisdictions that do not change time.

## BACKGROUND

The primary goal of Daylight Saving Time is to conserve energy, but whether DST actually saves energy is unclear and there are many contradictory studies. There are, however, even more studies that tell us that the change itself can cause accidents, injuries and even deaths. Many of these issues are related to sleep pattern change that the biennial shift mandates.

There is a growing collection of evidence to show that the biennial time change has plenty of unintended consequences, examples such as these can directly affect the operation of business.

### Workplace accidents

Workplace accidents may be another side effect of sleep loss from the one-hour time change. They increase in frequency that Monday. "Perhaps even scarier, is the spike in injury severity," said Christopher Barnes, an assistant professor at the U.S. Military Academy at West Point. "Instead of bruising a hand, maybe you crush a hand." A study Barnes led in 2009, and reported in the *Journal of Applied Psychology*, looked at the severity of workplace accidents in miners on the Monday following the time change. The researchers found a 5.7 percent increase in injuries and a 67.6 percent increase in work days lost to injuries. Barnes said the results were likely to be similar in other workplaces with similar hazards. Sleep loss determines the difference between the relatively common near-miss that happens in mining, and a true accident, said Barnes. "We're closer to disaster than we realize," he said. "The margin for error is not very big." "If I were in that environment, one thing I would try to do is schedule you're most dangerous tasks for other days."

### Sleep loss

Alterations to sleeping patterns can mean employees have to make substantial changes to their routines, and some studies have shown that absenteeism goes up in the first few weeks of the introduction of Daylight Saving Time.

In a culture where we are constantly being told we need more sleep, the start of DST piles another hour per person onto the national sleep debt. "We're already a highly sleep-deprived society," said Russell Rosenberg, Vice-chair of the National Sleep Foundation. "We can ill afford to lose one more hour of sleep. Additionally, the shift in the period of daylight can present a challenge in catching up on sleep. "It does take a little extra time to adjust to this time change, because you don't have the morning light telling your brain it's time to wake up," he said.

### Heart attacks

As our workforce is continuing to age, the connection between sleep and heart attacks gained attention following a 2008 Swedish study that showed an increase of about 5



percent in heart attacks on the three weekdays following the springtime shift. “Sleep and disruption of chronobiological rhythms might be behind the observation.” Heart attacks have been found to be highest on Mondays after the time change, so a shift in sleeping patterns may explain that as well as Dr. Imre Janszky told My Health News Daily. According to a 2012 study at the University of Alabama Birmingham, the Monday and Tuesday after daylight saving time in the spring have also been associated with a 10% increase in heart attacks. The study found a corresponding 10 per cent decrease in heart attack risk over the 48 hours after people “fall back” and gain an extra sleeping hour in the fall.

### Traffic accidents

An increase in traffic accidents is perhaps the best studied health consequence of the time shift. Sleep loss puts people at much higher risk for motor vehicle accidents,” Rosenberg said. A 1996 study published in the New England Journal of Medicine showed an 8 percent increase in motor vehicle accidents on the Monday following the time change. A 2001 study from Johns Hopkins and Stanford universities also showed an increase on the Monday following the change. At least one U.S. agency has taken the point to heart. Last November, as the clock shifted back to daylight standard time, the National Highway Traffic Safety Administration warned drivers that, with nightfall occurring earlier in the evening, “adjusting to the new, low-light environment can take time, and that driving while distracted puts everyone — and especially pedestrians — at greater risk of death or injury.”

Tourism Boost – many tourism and outdoor activity businesses believe that daylight saving time could provide a financial boost for the tourism industry. Shifting that extra hour to the end of the day could boost outdoor activities and bring in an extra two (2) percent in revenue from visitors, according to [timeanddate.com](http://timeanddate.com)

Moving clocks forward and backward every year in an increasingly complex digital world is not without consequences either. Air traffic schedules, train schedules, public transport schedules all must be changed biennially. It complicates timekeeping, disrupts meetings and even livestock have been shown to have trouble adjusting to new routines.

Moving the hours around twice a year is a complex matter. Although it was originally brought forward by Benjamin Franklin as a way to conserve energy, and that remains its primary purpose to this day, there is in fact no consistent evidence to show it is helping us. There is on the other hand, plenty of evidence to show that constantly shifting back and forth does harm.

With the recent bills being passed in California and Washington state, Premier Horgan has now reached out to these states for more information and has stated that all the pacific will benefit from remaining on the same time, and he is open to the idea of stopping the time change if the west coast states do the same.

It is for that reason that the Chamber of Commerce advocates a no-time-shift policy and remains on Daylight Savings Time for the calendar year

### **THE CHAMBER RECOMMENDS**

The Provincial Government collaborates with Washington State, Oregon and California to have the Pacific Time Zone in Canada and U.S.A to remain on DST throughout the year.

# Network Expiring Policies

# The Cost of Prolific Offenders on the Local Economy

The economic development of any community relies upon its reputation as a safe, viable region in which to locate and do business with supporting infrastructure, community assets, and most importantly, customers willing to walk in the door. However, if customers feel unsafe, they won't come. If the reputation of a region is suspect, businesses won't come. If the media targets a community as one in which prolific offenders reside, its economy suffers.

Media reports often highlight threats to communities when an individual is released from incarceration and has not completed mental health or drug treatment programs. News reports headline those who re-offend shortly after their release. While the public does have the right to know, the impact of such media upon business decision-makers as to where they will house their companies and staff cannot be ignored. The media is not the problem. The concern is the profligacy of offenders and their return to the same community time and again.

Solutions to the problems of prolific offenders are widely known and supported amongst the criminal justice community; however, federal and provincial budget decisions leading to program cuts can lead to the unsuccessful reintegration of some offenders. For example, reductions in federal funding for psychiatric services for offenders while incarcerated and post release can set up an offender for failure and increase community risk.

The Province of British Columbia released a report in December of 2014 entitled *Getting Serious about Crime Reduction*, which is one example of best practises across Canada to end the cycle. The six recommendations are listed below:

1. Manage prolific and priority offenders more effectively.
2. Make quality mental health and addiction services more accessible.
3. Make greater use of restorative justice.
4. Support an increased emphasis on designing out crime.
5. Strengthen inter-agency collaboration.
6. Re-examine funding approaches to provide better outcomes.

The current initiatives undertaken by the BC government in relation to the Blue-Ribbon Panel Recommendations include:

- Consideration of a regional, integrated community safety partnership pilot project that would bring together local, relevant government and non-government agencies in identifying and prioritizing community safety goals, focusing resource allocations and programs accordingly, and measuring and evaluating the outcomes.

- Collaboration between BC Corrections and provincial post-secondary institutions to expand job-training options for offenders and thereby better support their re-integration into society.

Since the release of the Blue-Ribbon Panel in December 2014, the Provincial government has not provided much public commentary on their efforts to enable the recommendations. Certain initiatives, such as the Integrated Court Services model recently approved in Surrey, British Columbia, do incorporate aspects of the recommendations in their development.

Provincial and federal resources contributed to the success of Community Courts and Integrated Services Programs. Senior B.C. Corrections staff led the development of the Mental Health Strategy for Corrections in Canada. The strategy seeks to ensure mentally ill offenders receive progressive and consistent care in custody and after release.<sup>[1]</sup>

To date, BC Housing, and social assistance providers are the only points of access for released inmates to receive assistance in finding housing. Without adequate housing and jobs, re-offense becomes a higher risk. The current plan to move rehabilitated individuals into half-way homes then allowing them to reside in their choice of communities puts these communities at risk if stable jobs and housing assistance is not provided by governments.

Communities throughout BC benefit when stakeholders, service providers, police and justice agencies, under the leadership of the Province, work together to provide offenders with the best opportunities for re-integration and minimizing criminal behaviour. Services including housing, drug and alcohol rehabilitation programs, life skills, employment, and counselling are key to decrease prolific offences occurring in any community. Less crime leads to greater economic prosperity as businesses and customers come to a safe, viable community.

## THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Work in coordination with the Federal Government to provide adequate budgetary support for offenders to receive treatment while incarcerated and for post-release housing and programming of prolific offenders to ensure successful societal reintegration and safer communities; and
2. Combine resources with the Federal Government to ensure the efficacy of programs such as the Integrated Court Services Plan and the successful implementation of measures such as the previous Blue-Ribbon Panel recommendations.

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[1] <http://www.csc-scc.gc.ca/health/092/MH-strategy-eng.pdf>

# Future of the Forest Industry and It's Importance to British Columbia's Economy

The forest industry continues to be an important contributor to the province's economy: 2018, total economic output for the sector was \$33 billion; total Gross Domestic Product (GDP) from the forestry sector was \$12.9 billion; employed 140,000 British Columbians in 60,000 direct and 81,000 indirect jobs; generated 8.6 billion in wages to workers; consisted of more than 7,000 businesses, 83% of which employed less than 20 employees; approximately 250 primary and 1,525 secondary manufacturing facilities; and 4,737 forest management businesses primarily small independent contractors and family-owned businesses.<sup>[1]</sup>

A study from 2017 confirmed the importance of the industry to BC showing that it generated 1 out of every 17 jobs in the Province. The forest industry contributed approximately 1.4 billion (federal), 2.6 billion (provincial) and \$200 million (municipal) government revenues. Approximately 40% of BC's regional economies are forest dependent – directly involved in harvesting and processing of forest products.

**There are, however, challenges that are hampering forest industry competitiveness, stability and growth. For example:**

## ***Timber Supply***

The supply of economically viable fibre is declining due to , among other factors, beetle infestations, wildfires, and decreases in the provincial timber harvesting land base due to other uses, including environmental set asides. Many primary manufacturing facilities rely on log supply from third parties such as auctioned timber from BC Timber Sales (BCTS) and purchases from other sources such as community forests and Indigenous peoples tenures. A vibrant secondary manufacturing sector in value-added wood products, pulp and paper and emerging bio-products industry, depends on a productive primary manufacturing industry to provide raw materials and residual fibre. Including purchases from other sources in the AAC apportionments hampers the secondary sector.

## ***Transportation***

Transportation of raw and processed products by Rail and Truck have issues not being addressed. Rail carriers are not being held accountable for a transport schedule or to provide regular transport of products. Trucking companies without a stable stock of product are not investing in equipment and are often hampered for the lack of available drivers.

## ***Timber Quality***

The Spruce and Fire beetle infestations and vicious fire seasons of recent years has created an economic challenge for good fibre. While the industry has been salvaging damaged timber for several years, and will continue to do so profitably, time is of the essence in terms of recovering this deteriorating resource while forest products can still be made of it.

## **Markets and Trade**

The Softwood Lumber Agreement has increased the cost of shipments to Canada's largest market, the United States, which has greatly affected the industry's competitiveness and ability to grow into other global markets.

The amount of uncertainty in the Forest Industry today, curbs growth throughout the sector. Investments in mills, equipment, logging efforts and market growth are challenged to the point that suppliers are not taking the chance on increasing their assets.

## **THE CHAMBER RECOMMENDS**

That the Provincial Government:

### **1. Provide Access to Economically Viable Fibre**

- Secure access to an economically viable fibre supply and identifies the timber supply that will be available given Indigenous peoples and stewardship allocations.
- Provide all manufacturing facilities with the ability to secure volumes required to maintain these facilities in the face of:
  - a declining annual allowable cut;
  - decreasing provincial land base (environmental and Aboriginal rights and title reserves, fires and beetle infestations); and
  - expiring non-replaceable forest licenses.
- Develop strategies to take advantage of relationships with Indigenous peoples to increase access to fibre.
- Land use commitment to ensure access to timber to the full level of land use plans.
- Communicate to industry what level of AAC will be available for harvest so that business can plan its operations, then support access to that timber supply. Timber supply projections are based on a land base that has not been curtailed by subsequent local decisions to place constraints on practicing forestry.
- Reviewing and revising staffing in the Ministry of Forests, Lands, Natural Resource Operations & Rural Development who are responsible for issuing timber harvesting permits to ensure that decisions respecting access to fibre meet revenues will significantly contribute towards ensuring an adequate timber supply. Ensuring there is a commercial forest land base for forestry purposes must become a priority at both the provincial and local government levels; and
- Sell BCTS apportionment volumes consistently. BCTS is an important supplier of timber to BC's log markets and must continue to sell its apportionment over the business cycle to get the full forest profile into log markets.
- Indicate that the forest industry's costs to manage non-timber values is adequately recognized and that the forest industry pay to manage other forest resource users and values unless there is a direct cost recognition in the timber pricing system. This could include residual fibre deliveries, Indigenous people's consultation, and range management costs among others;

- Provide direct cost recognition in the timber pricing system for consultation with Indigenous peoples communities. The scope, level and cost of consultation has increased as Indigenous peoples' communities increase their assertion of indigenous rights and title interests. Until agreement exists over indigenous strength of claim, and unless and until the Government of British Columbia effectively manages their obligation for consultation and accommodation, these costs will accrue to industry. Direct cost recognition will provide an important opportunity to improve industry competitiveness until the issue reaches an equilibrium and an appropriate cost variable can be determined.

## **2. Commit to Improving Forest Health**

- Early and aggressive action is required to control and contain the current and growing Spruce and Fir Beetle infestations to keep this infestation from turning into a similar situation as the mountain pine beetle outbreak;
- Consider harvesting activity inside of fire perimeters for more immediate salvage opportunities within the economic shelf life of useable timber thus avoiding unnecessary waste.

## **3. Provide Secure Transportation Opportunities**

- Commitments to hold rail carriers accountable and ensure capacity to move timber to the export market.
- Without investment certainty, there are a limited number of truck haulers who would commit to their fleet if they had commitments.
- Driver training through post-secondary institutions and financial support to make this happen.
- Continue investment in important infrastructure programs by improved road, rail, bridge and port structures; and
- The application of several provisions in Bill C-49 to help ensure the best results from this bill, specifically:
- Interim performance reporting requirements taking effect 6 months from now, on November 23, 2019.
- Railways submitting their performance data within 5 days and the Agency publishing this information within 2 days.
- The option of extending the results of the Final Offer Arbitration decisions up to 2 years.

## **4. Ensure Market Access**

- Continue investments in offshore and U.S. market development activities by organizations such as Forest Innovation Investment, as well as policies such as the wood first program. These initiatives provide necessary market diversification and will only strengthen our global competitive position;
- Continue working co-operatively with industry and the Government of Canada to address tariff and non-tariff barriers to the global export of BC forest products.



- Eliminate market barriers that will prevent an efficient re-alignment and/or consolidation of forest industry assets. In other words, match supply to demand and logistics from tree to market. Industry rationalization is inevitable as the forest industry adjusts to decreased timber supply resulting from the mountain pine beetle infestation. Allowable annual cuts will decline in the short to medium term. Industry requires flexibility to organize effectively;
- Continue investments in offshore and U.S. market development activities by organizations such as BC “WoodWorks!” programs and BC Forest Innovation Investment, as well as policies such as the wood first program. These developing markets are important bailiwicks in providing market diversification and opportunities when the U.S. market is challenged. Unfettered access to other markets for forest products will only strengthen our global competitive position.

## 5. Provide Investment Certainty

- Use a competitive tax environment to encourage investment in, and transformation of, the BC forest industry;
- Support policies and incentives for capital manufacturing investments that increase the use of innovation and process technology to modernize facilities. This also includes incentives for new market entrants, such as investment tax credits, employment incentives, support for new technologies and creating small business opportunities for facilities aimed at products made from non-saw log fibre and logging residue;
- Increase the scope of the current Provincial Sales Tax (PST) to include investments in non-harvesting heavy machinery within the definition of Logging Activities, when these assets are used primarily in logging operations. This would streamline the PST act regarding logging operations and increase investment in road building and earth moving machinery;
- Support policies and incentives to support safety and environmental upgrades required under the BC Sawmill Code of Practice and other legislation;
- Support clarity and efficient administrative processes regarding permit applications and reporting requirements;
- Promote and fund labour force and skill training applicable to the forest industry to an equal level with other resource-based sectors.

### [Download the PDF](#)

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[1] Forestry Innovation 2019 Key Sector Data –  
[https://www.bcfii.ca/files/2019\\_FII\\_Key\\_Forest\\_Sector\\_Data\\_and\\_Stats.pdf](https://www.bcfii.ca/files/2019_FII_Key_Forest_Sector_Data_and_Stats.pdf)