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October 11, 2018

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

Submitted via Email:

Dear Chair D'Eith and Select Standing Committee Members:

RE: Submission to the Standing Committee on Finance and Government Services

The Independent Contractors and Businesses Association (ICBA) is pleased to make this submission to the Select Standing Committee on Finance and Government Services in advance of the 2018/19 provincial budget. This is an important annual opportunity for our association to review and comment on the provincial government's public policy agenda, and to provide our advice and input for the forthcoming budget cycle. This pre-budget submission updates and expands on many of the themes contained in our submission to the Small Business Task Force in June[1].

About ICBA

By way of background, ICBA has been the leading voice of British Columbia's construction industry for 43 years, representing more than 2,300 members and clients who collectively employ over 50,000 people. ICBA advocates for its members in support of a vibrant construction industry, responsible resource development, and a growing economy for the benefit of all British Columbians.

On behalf of its broad membership base, ICBA undertakes public policy development and advocacy; sponsors apprenticeship and professional training; and provides individual group and retirement benefit programs. Members are non-union or non-affiliated union contractors and businesses and, taken together, these two segments of BC's construction sector account for nearly 85 percent of the industry's workforce in BC.

[1] See: Letter Submission to Michael Hwang, Chair and Members, BC Small Business Task Force, June 29, 2018.

Introduction

To begin, our input occurs against the backdrop of an economy which has continued to perform reasonably well this year, though there are significant "head winds" building on the horizon as the result of competitive factors beyond our borders, and policy-induced uncertainty at the hands of the BC -- and federal -- governments.

We note the successful conclusion of the new United States-Mexico-Canada-Agreement (USMCA) as a very positive development. As the legal text is not available at the time of writing, we may provide comments at a later date on impacts USMCA has for the BC construction sector and implications the agreement has for responsible resource development. In its broad contours, however, the USMCA is a significant accomplishment which should help improve investor confidence and reduce uncertainty.

We are also very pleased with the recent successful final investment decision (FID) by LNG Canada. The bi-partisan efforts by the current and former provincial government to help realize a positive FID are very much appreciated. This transformative $40 billion investment will provide significant work opportunities for our members in the construction phase, while unleashing critical market access to Asia and upstream job creation opportunities for the natural gas sector.

While successful conclusion of the USMCA and the LNG Canada FID are very positive developments, there remain deeply concerning challenges for both Canada and BC's economic competitiveness. This submission focusses on a number of matters that are critically important for BC's competitive position, along with a number of issues the provincial government must, in our respectful view, revisit. The balance of this submission is organized as follows:

- The Current Economic Context – A Brief Review and Look Forward;
- Recent Provincial Tax Measures and Consequences;
- Regulation, Government Reviews, and an Uncertain Business Environment;
- Major Project Landscape – Some Positive News, But Significant Lingering Problems;
- Government Funded Enabling Infrastructure – Needs and Challenges;
- Skills Shortages and Labour Market Challenges;
- Project Labour Agreements (Community Benefit Agreements) – Unfair and Discriminatory Procurement Policy;
- Housing and the Affordability Question; and,
- Conclusions.

We begin with a review of the current and short-term Canadian economic context and BC's place within it.

The Current Economic Context – A Brief Review and Look Forward

British Columbia's economy continued to perform reasonably well over the course of the last year, with real GDP growth expected to come in around 2.3 percent as 2018 winds down. This performance comes on the heels of robust 3.7 percent growth in 2017. Looking ahead to 2019, real GDP growth is projected to be about 1.9 percent, or half the growth rate experienced in 2017, and down from 2018 levels. Strong wage gains and population growth have continued to underpin BC's economic performance, while a sharp drop in housing market activity and labour market challenges are beginning to cool BC's overall economic outlook[2].

The province continued to be at or near full employment in 2018, with the unemployment rate hovering around 5.0 percent[3], a level which is expected to continue into next year. The tightening labour market with too few available workers – especially in the construction sector – will begin to constrain growth moving forward[4].

Meanwhile, retail sales are expected to drop from 9.3 percent growth in 2017 back to 3.1 percent for 2018, with 2019 expected to continue at this level. At the same time, the consumer price index continues to inch upward with expectations that it will hit 2.6 percent in 2018, up from 2.1 in 2017, meaning the cost of consumer goods and services will continue to trend upward, and further increases in interest rates for consumer and commercial loans are predicted, putting further pressure on affordability for BC citizens.

Slowing growth, inflationary pressures, a cooling housing market, and tightening labour markets should be taken as signs by the Select Standing Committee that BC's economy is increasingly fragile, and that attention to our province's broader competitive underpinnings are overdue for concerted action.

Fundamentally BC is a small, open trading economy representing about one percent of GDP in North America. What we do within our province and how we respond to the changing public policy dynamics beyond our borders matters a great deal. The international and domestic investment community keeps a watchful eye on whether and how governments are addressing the competitive challenges of the day. Regrettably, British Columbia (and to a large degree Canada) have taken a variety of measures that are detrimental to our long-term economic competitiveness at precisely the same time as our key international competitors are "upping their game".

With successful conclusion of the USMCA, provincial and federal policy-makers should now pivot and address deeper long-standing challenges as BC and Canada enter the third decade of the 21st century. In this connection, a number of metrics demonstrate that all is not well with Canadian (and BC) competitiveness – consider the following:

- *Labour Productivity*: Canada's labour productivity growth continues to lag the United States, a trend that has been apparent since the 1970's;

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[2] RBC Economic Research, Provincial Economic Outlook, September 12, 2018.

[3] Recently, published Statistics Canada data suggests the unemployment rate is even lower, currently standing at 4.2 percent.

[4] We address BC's labour market shortages in considerably more detail later in this submission.

- *Foreign Direct Investment*: Canadian outbound foreign direct investment continues to significantly outpace inbound foreign direct investment, a trend which began in 2014;

- *US Business Tax Cuts*: As a result of sweeping measures in the *US Jobs and Tax Cuts Act*, Canada has lost its business tax advantage; at a combined 26%, the US now sits one point lower than Canada's 27% (before the reform measures, the US stood at combined 39%); and,

- *Aggregate Regulatory Burden*: the World Economic Forum ranks Canada's competitiveness at 14th overall, but 38th for "burden of government regulation"[5].

Coming to grips with these – and other -- foundational elements of Canadian economic competitiveness requires concerted focus by both provincial and federal governments. Regrettably, the BC government has embarked on a path which does little to help build a more robust, resilient, and long-term competitive provincial economic policy framework.

In the next section of the submission, we address some of the government's recent and prospective tax measures and their consequences.

Recent Provincial Tax Measures and Consequences

Over the course of its first year in office, the provincial government has undertaken many policy measures which will make business investment and long-term job creation more challenging. While putatively focusing on addressing "affordability", the government has paradoxically pursued an array of measures which raise revenues through business and personal tax increases making life less affordable and BC less attractive for investment and talented workers.

In our June submission to the Small Business Task Force, ICBA provided a list of tax measures already, or likely to be, taken by the provincial government over the short-medium term. We revisit these here for benefit of members of the Select Standing Committee:

- *Top marginal personal income tax rate*: For British Columbians (federal and provincial) the rate is now about 50 percent for incomes above $150,000 as the result of recent changes over the past 18 months by both levels of government. Two years ago the combined rate was about 43 percent. As a consequence, it will be harder to attract highly qualified talent needed to grow our economy in a number of sectors.

- *Corporate tax rate*: The provincial government increased the corporate tax rate in its September 2017 Budget Update from 11 to 12 percent, while decreasing the small business tax rate marginally to 2 percent from 2.5. While a marginal decrease in the small business rate is welcome, its positive effects are negated by increases in business costs elsewhere.

[5] Source: Business Council of British Columbia, An Economic Update for Uncertain Times, September 18, 2018.

- *Carbon tax*: The Carbon Tax is set to increase annually by $5 per ton, while government has ended the revenue-neutrality of the tax measure (previously in the form of various tax cuts and credits). This will whittle away at the competitiveness of many British Columbia businesses including those that provide construction services to institutional, commercial, industrial and residential segments of the market. BC industries already carry the largest carbon tax burden of any sub-national jurisdiction on the continent, while most US states do not even have a price on carbon. This is a distinct competitive disadvantage for trade-exposed industries, particularly in the natural resource sector.

- *Canada Pension Plan (CPP) Premiums*: CPP rates are set to increase for employers, beginning in January 2019. While this is a federal measure, it will add to the cumulative burden that small businesses are faced with from other measures.

- *Minimum Wage*: Government mandated increases in the minimum wage to $15 per hour announced through to 2021 will increase the cost of doing business. While ICBA supported equal hikes through to 2022 to bring the minimum wage to $15 per hour, together with other taxes, fees and levies, changes to the minimum wage add to the aggregate cost of doing business. While the minimum wage might not seem directly relevant for the construction industry, indirectly costs will go up with the inevitable "ratcheting effect" increases in the statutory minimum will have on wages throughout the economy (including construction services).

- *WorkSafeBC Premiums*: There are disconcerting signs the provincial government may provide direction to WorkSafe BC to enrich income-replacement benefits, scope of coverage, and other cost-driving measures which could drive up employer-paid premiums and undermine the positive financial position of the agency. The business community is very concerned with many of the recommendations of the recent report by Paul Petrie entitled: *"Restoring the Balance: A Worker Centered Approach to Workers Compensation Policy"* [6]. ICBA has questioned the need and timing for this review and broader suggestions that the *Workers Compensation Act* needs a review. WorkSafeBC is well-funded and regarded as amongst "best in class" in comparison to other jurisdictions.

- *Employer Health Tax (EHT)*: Rather than allow the government's own MSP Task Force to issue a final report on how to replace the previous MSP premium regime, government enacted an EHT without consulting with the business community and in defiance of the recommendations of their own MSP Task Force's Interim Report.[7] The Greater Vancouver Board of Trade and ICBA conducted a province-wide member survey earlier

[6] Earlier this year, 26 leading national and provincial business associations prepared and endorsed a joint submission to the Minister of Labour and the Board Chair of WorkSafeBC responding to the Petrie Report recommendations. See: "Joint Business Association response to Report Prepared by Paul Petrie: 'Restoring the Balance: A Worker-Centered Approach to Workers Compensation Policy'", June 1, 2018.

[7] Dr. Lindsay Tedds, Paul Ramsey and David Duff, MSP Task Force Interim Report, February 1, 2018.

this year on the impacts of the EHT.[8] The poll points to a number of detrimental findings:

- 61 percent of our members with fewer than 50 employees will pay the tax.
- 49 percent of association members who meet the $500,000 payroll threshold will experience "double taxation" through 2019.
- The average annual payroll tax bill reported by respondents to the survey is $157,233.
- 24 percent said they expect to reduce staff; when you isolate businesses with fewer than 50 employees, that number increases to 30 percent.

- *Speculation Tax*: This tax is, in fact, a tax on the assets of hardworking British Columbians implemented under the guise of making housing more affordable by cooling the housing market. Challenges with housing affordability relate to lack of supply as the largest cost driver for buyers, not speculation (more on this later in this submission). Early indications are this measure will seriously impact municipal tax revenues and impose cascading consequences for small businesses as the housing market in many BC locales "cools". The "speculation tax", is an ill-conceived punitive and patch-work policy measure that will impair economic activity in many communities where people hold second homes. Growth in many municipalities is fragile and is very sensitive to changes in market dynamics spurred on by arbitrary and unanticipated tax measures.

All of these tax measures also come against the backdrop of BC already having the sixth highest marginal effective tax rate for the business sector as a whole compared with 34 OECD jurisdictions and the provinces combined[9]. This metric is a very important barometer of overall tax competitiveness. So how then do any of the government's recent tax measures help address BC's lagging performance in this key metric of competitiveness or other national performance measures mentioned earlier in this submission? The simple answer is they won't and, in fact, instead will add to the cumulative tax burden and diminish BC's competitive position.

While the provincial government has taken positive steps to phase out the Provincial Sales Tax (PST) on non-residential electricity use, the Select Standing Committee should seriously consider the MSP Task Force's expert evidence and opinion that BC businesses are struggling to be competitive due to the effect of PST on business investment. As the MSP Task Force points out, "one of the best ways to offset reductions in competitiveness would be to reduce the effect of the PST on businesses"[10]. The MSP Task Force recommended government look at PST reform directed at reducing the impact of the tax on machinery and equipment, if possible, by moving to a value added tax after comprehensive public consultation.

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[8] Greater Vancouver Board of Trade and Independent Contractors and Businesses Association, News Release: Survey Finds Small Businesses Will Bear the Brunt of BC's New Employer Health Tax, May 28, 2018.

[9] D. Chen and J. Mintz, "The 2014 Global Tax Competitiveness Report," School of Public Policy, University of Calgary, SPP, Research Papers, Volume 8, Issue 4, February 2015 as cited in: Business Council of BC, Submission to the Select Standing Committee on Finance and Government Services in Advance of the 2018 Provincial Budget, October 16, 2017, page 9.

[10] Dr. Lindsey Tedds, et al, MSP Task Force Interim Report, February 1, 2018.

As a final note, also missing from the provincial government's agenda is a comprehensive and aggressive economic development strategy to create wealth from the "permitted economy" (i.e. enabling major project development on the provincial land base and substantial increases in urban housing supply), along with the non-permitted economy (i.e. service, supply and technology industries).

Regulation, Government Reviews, and an Uncertain Business Environment

The provincial government has embarked upon an unprecedented number of concurrent policy reviews, and ICBA is concerned about the scope, content, and consequences this has for business competitiveness. Fundamentally, firms operating in BC's small, open, heavily trade-exposed economy require certainty of process and process outcomes to effectively build a business, create jobs, and to predictably pay taxes to all orders of government.

We are concerned with the overall subtext of these reviews – underpinned in Ministerial mandate letters – towards more, not less, government regulation and increased enforcement without positing clear policy or operational problems grounded in data, science, or evidence. Taken together, the torrent of reviews is creating uncertainty for business, cutting into their operating margins, and in some cases causing them to question whether it makes sense to fulfill expansion plans on the books, or to simply "hold the line", or to close shop altogether. Among the dozens of government review underway, the following are of deep concern to ICBA and its broad membership:

- Labour Relations Code Review;
- Employment Standards Act Review;
- Petrie Workers' Compensation Review: "Restoring the Balance: A Worker Centric Approach to Worker's Compensation Policy';
- Professional Reliance Review;
- Environmental Assessment Act Review; and,
- Fair Wage Commission (minimum wage and living wage).[11]

The government's approach to policy and program review has been inconsistent, often selective in stakeholder consultation, and in many cases, not transparent. The "high water mark" was the government's approach to their new Community Benefits Agreements (project labour agreement) Framework where the government eschewed a general review in favour of consulting under non-disclosure agreement with a very select group of stakeholders. Such approaches to public policy consultation and formulation breeds distrust and undermines the government's professed commitment to openness and fairness.

The bottom line for ICBA's membership and the broader business community is that the pace, scope and content of government reviews is undermining business confidence, is instilling

[11] Individually, or together with other business associations, ICBA has responded to each of these provincial government reviews.

distrust in the government's agenda, and is generating considerable uncertainty for domestic and international business investors looking at whether to invest in BC.

Major Project Landscape – Some Positive News, but Significant Lingering Problems

The positive final investment decision for the LNG Canada project in Kitimat and the likelihood of Woodfibre LNG near Squamish proceeding to construction are game-changing developments. The advent of an LNG construction industry BC is rightly attributable to the hard work of a number of stakeholders, including LNG proponents, bi-partisan government efforts in Victoria and Ottawa, Indigenous Nations, and communities.

Against this positive backdrop, however, major project approvals in BC – and Canada – have become extremely difficult over the past decade. This is concerning because major projects perform an outsized role as economic catalysts for small, medium and large businesses through cascading procurement and job opportunities.

Despite this, not enough care and attention is being paid to the role that major projects play in BC's economy. The intertwined challenges facing major project proponents relate specifically to locating, permitting and building major projects. The intricate web of tax and regulatory policies on the books or being contemplated by senior government are compounding to make our province and country less attractive for business investment.

Relative to competitors in the OECD, Canada ranks 34th out of 35 countries for the time it takes to get general construction project permits. Also noteworthy in the comparative findings is that the United States ranks 4th overall, while Mexico ranks just behind at 5th.[12] These findings are echoed by knowledgeable national business leaders such as RBC CEO Steve McKay who noted earlier this year that investment in Canada is "leaving Canada in real time".[13] This should serve as a wake-up call to policy makers that drastic action must be taken to cut red tape and clear procedural hurdles to speed up project approvals, attract investment, create jobs, and lay a robust foundation for increased government revenues.

Despite the bi-partisan success with LNG development, the current provincial government's actions to obstruct or delay the Trans Mountain Pipeline Expansion and the Site C Clean Energy Project – federally and provincially approved projects respectively – sent negative signals to the international and domestic investment community about government's commitment to procedural fairness. This is not acceptable. In the case of the Trans Mountain Pipeline Expansion project, the government of British Columbia's actions left the federal government with little option but to purchase the pipeline. With private capital available to construct the pipeline expansion, Canadian (and BC) taxpayers should not have had to bail out a very viable enterprise. In the case of Site C, the provincial government needlessly delayed a project that had been subject to a very lengthy and robust regulatory review process.

[12] Source: Business Council of British Columbia; World Bank Doing Business Report, October 2017.

[13] Andy Blatchford, "Investment dollars are already flowing out of Canada in 'real time', RBC CEO warns", Financial Post, April 2, 2018.

The provincial government has also generated considerable uncertainty with its lack of clarity about the implementation of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). As a priority action item contained in all mandate letters, Ministers are required initiate "…calls to cation and reviewing policies, programs and legislation to determine how to bring the principles of the declaration into action in British Columbia"[14]. All British Columbians want to ensure that Indigenous communities are true partners in economic development, growth, job creation and in building significant, sustainable and shared prosperity in BC. However, it is the government's job to do so in a way that enhances opportunities to attract investment and talent to BC. The government's approach to date has generated uncertainty on the land base, and put at risk security of tenure and prospectively thousands of family-supporting jobs in construction, responsible resource development, and service and supply businesses.

Government Funded Enabling Infrastructure – Needs and Challenges

The province – in cooperation with the federal government -- has a critical role in providing enabling infrastructure to "drive" economic growth, development and job creation for citizens. ICBA is pleased with recent announcements by the federal and provincial government that work will proceed on rapid transit expansion in Vancouver and Surrey. In last year's submission to the Select Standing Committee, ICBA also suggested that the provincial government give priority to the following projects:

- Port Metro Vancouver infrastructure, especially Terminal II;
- Massey Tunnel Replacement;
- Trans-Canada Highway – adding capacity from Langley to Abbottsford;
- Cariboo Connector 4-laning program – Central Interior of BC;
- Puttullo Bridge Replacement; and,
- Trans-Canada Highway – twinning from Kamloops to the Alberta border.

British Columbia has a critical role linking BC and Canada with the vast Asia-Pacific marketplace. The provincial government must continue to identify and alleviate value-destroying bottlenecks and advance the unique role the Port of Prince Rupert and Port Metro Vancouver play in enabling reciprocal international trade, particularly with Asian and US heartland markets.

The province is at a cross roads: infrastructure investments today are required with a clear line-of-site to shaping growth, especially in the Lower Mainland and Southern Vancouver Island, and unleashing the full economic potential of our province's regions. In this connection, the provincial government should keep a very watchful eye on the needs of Northern British Columbia following the recent game-changing final investment decision by LNG Canada. Along with port infrastructure, critical investments are likely required to "de-bottleneck" or

[14] See for example, the Premier's mandate letter to Honourable Carole James, Minister of Finance and Deputy Premier, July 18, 2017, p.2

remove "pinch-points" along Highway 16 and Highway 97 to facilitate terminal-side, mid-stream, and upstream gathering and processing construction activities.

The provincial government – in the interest of fairness and achieving best value for taxpayers – must pursue these through open and transparent procurement processes. Regrettably, government has been going in the opposite direction for public sector procurement.

Project Labour Agreements – Unfair and Discriminatory Procurement Policy

Topping the list of measures undertaken by the current government which are detrimental to business confidence and growth is the "Community Benefits Agreement" (CBA) framework announced in July. As the government prepares to spend $25 billion on infrastructure over the next three years, BC Building Trades Union-only hiring practices are retrograde policy measures that will restrict labour supply and cost taxpayers more for public infrastructure.

Under the guise of creating labour peace (a false precept -- BC has had 20 years of relative labour peace) and providing employment and training opportunities for equity seeking groups (something non-union and non-affiliated construction firms do as a matter of course), the government has embarked on a 1970's style project labour agreement framework that is a sweeping infringement of workers' rights and patently unfair to non-union and non-affiliated union contractors.

The experience of the 1990's project labour agreement for the Vancouver Island Highway (VIH) is instructive for why the current government should scrap its new CBA policy framework altogether:

- Similar to the new BC Infrastructure Benefits (BCIB) framework, workers on-the-job for 30 days under the VIH framework had to sign up with a government-approved (read BC Building Trades) union, a matter which should be solely an employee's choice through a secret ballot vote;
- Productivity plunged and costs soared – according to an assessment commissioned by the Greater Vancouver Board of Trade at the time, project labour costs increased by nearly 40 percent. Estimates by the Canadian Federation of Independent Business suggests costs may increase by an additional $2.4 to $4.8 billion, translating to $1,998 to $3,996 for a family of four[15].
- While the government suggests the VIH project came in "on budget", this occurred due to scaling back of the project scope, something we are already seeing in the Puttullo Bridge procurement process under the government's new CBA framework; and,
- It is questionable whether union pension contributions ever accrued to workers temporarily employed on the Island Highway Project.

Today's BC construction industry is 85 percent non-union or non-affiliated union (i.e. not BC Building Trades - BCBT). Contrary to government and BCBT assertions, traditional unions are

[15] Canadian Federation of Independent Business, The Cost of Community Benefit Agreements, July 19, 2018.,

no longer the main trainers of BC's construction workforce. ICBA, in fact, is the single largest sponsor of apprentices in BC. Today's extremely tight labour market requires government to pursue inclusive approaches to training which are open to non-union, non-affilliated union, and BCBT unions alike.

Recent public opinion research suggests the public does not support the government's project labour agreement policy. When asked whether restrictive project labour agreements would be in the interest of all British Columbians, 76.8 percent said no, while 23.2 percent replied yes. And when asked how important it is the BC government makes sure that taxpayers are getting good value for public infrastructure investments, 95 percent said it is very or somewhat important, while 5 percent said it is not too important[16].

ICBA and the business community-at-large are strongly of the view that government's role is to ensure fair procurement practices and best value for taxpayers for every construction dollar spent. For this reason, ICBA and a number of other business groups and non-affiliated unions have filed a petition with BC Supreme Court arguing the CBA framework and its BCBT union-only hiring policy is contrary to the Canadian Charter of Rights and Freedoms. The Select Standing Committee should recommend that the government stand-down on this ill-conceived, ill-advised and, likely, illegal policy measure.

Skills Shortages and Labour Market Challenges

Annually, ICBA undertakes a comprehensive survey of our membership to provide a proverbial "state of the union" on skills issues within the BC construction sector[17]. In the 2018 survey, about 49 percent of survey respondents reported building industrial, commercial and institutional projects; 24 percent single family homes; 15 percent multi-family homes; and, 10 percent high rise homes. The survey underscores that – at least for the short term – times remain good with significant construction activity and more work than workers available. In practical terms this means continued strong expectations for growing business volumes, high labour demand, and rising wages.

In this year's survey, fully 50 percent of contractors surveyed province-wide expected more work in 2018 than in 2017, with that figure nearing 60 percent in Northern BC. Significant skill shortages are apparent across a broad range of trades, especially core construction trades such as glaziers, pipefitters, sheet metal workers, electricians and plumbers. The survey also suggests that shortages are wide-spread, are slowing down growth in some firms, and leading to potential foregone opportunities for growth and job creation in others.

In 2018, 49% of companies expect to meet work demands by increasing the number of employees, while 11% expect to address shortages through increasing hours of work. Overall, fully 75% of companies say there are not enough qualified workers in the trades that they

[16] Source: Mainstreet Reasearch, Survey of BC Attitudes on Project Labour Agreements, Progressive Contractors Association of Canada, April, 2018.

[17] ICBA Wage and Benefits Survey, More Growth Ahead for Construction, ICBA Construction Monitor, Winter 2018, page 3

require, up from 59% in ICBA's 2017 survey. In short, the need for skilled apprentices and laborers has likely never been greater.

The challenges in recruiting, training and retaining skilled workers in construction is largely a function of – at least for the time being – a vibrant economy. This leading indicator of vibrance in the resource and construction industries can turn easily turn from a "good problem" (i.e. one of having to train-up more qualified workers), to "bad problem" (i.e. one of declining employment prospects) in the face of a challenging business climate where tax and regulation is increasing.

Housing and the Affordability Question

In many parts of the province, especially the Lower Mainland and Southern Vancouver Island, housing affordability is a pressing issue that affects small business' ability to attract and retain workers. There are no easy answers, but government actions focusing on tax measures will not address long-standing problems in urban, sub-urban and selected regional housing markets. There is an urgent need for government to dramatically increase supply, including substantial increases in density near schools, transit hubs, universities/colleges, transit corridors, and skytrain stations (in the Lower Mainland).

It is also imperative that municipalities change zoning from single to multi-family (especially in the land-constrained Lower Mainland). The era of "single family" homes must give way in Metro Vancouver to higher density town- and row-home solutions, together with multi-story mixed-use buildings. To achieve these imperatives, the provincial government should work cooperatively with municipalities wherever possible. Where this is not possible, the provincial government must express the overriding provincial interest in seeing increased housing density, and along with it, lower prices that would result for average British Columbians. If required, municipalities should be compelled to streamline and expedite development approvals processes, to increase the supply of rental housing by making land available to the development community and, only where there is a demonstrable 'market failure', undertake direct investment in building or subsidizing housing.

Apart from dubious use of tax measures, the government has recently put in place retrograde "rent control measures" capping general rental rate increases at 2.5 percent, while requiring government sign-off for rental increases above this level to pay for renovations or upgrades to housing stock. These measures – if left in place -- will work against government's "affordability" policy objectives by disincentivizing the private sector from making further needed investments because of arbitrary caps on their rate-of-return. At the same time, additional government regulation and uncertainty generated by new government "discretion" over a builder's ability to increase rents to cover renovations or upgrades will likely lead to delays, deferrals, or outright cancellation of planned upgrades altogether. How does this increase the supply of quality, affordable housing? As noted previously it simply doesn't; the answer lies in the provincial government and municipalities taking drastic measures to increase in housing supply.

Conclusions

ICBA appreciates the opportunity to provide the Select Standing Committee on Finance and Government Services with our comments and input in advance of the forthcoming provincial budget. This is an important annual opportunity for our association to review the provincial government's public policy agenda, and to provide our advice and input as you prepare your report to the Minister of Finance.

If the Chair or members of the Select Standing Committee have any questions on this submission, please don't hesitate to contact us.

Sincerely,

Independent Contractors and Businesses Association

Chris Gardner
President

CC:

Members, Standing Committee on Finance and Government Services
Honourable John Horgan, Premier of British Columbia
Honourable Carole James, Minister of Finance
Mr. Andrew Wilkinson, Leader of the Official Opposition