Discussion Paper

Federal Issues of Interest

September 2017

INTRODUCTION

Business advocacy is a core focus of the Kelowna Chamber of Commerce. Working in conjunction with our provincial and national networks, we consistently engage with decision-makers at the local level as well as those across BC ministries and federal departments to communicate our members' views on policies and emerging issues.

The Kelowna Chamber of Commerce appreciates the opportunity to share its views on federal issues of interest to its members and the business community, with the Federal Liberal Caucus in September 2017.

With nearly 1400 members, and as a business entity since 1906, the Kelowna Chamber is the largest Chamber in the province outside the lower mainland. The Chamber is in one of the fastest growing CMAs (census metropolitan areas) in the country, and reflects a broad mix of small and medium sized businesses, two large post-secondary institutions (Okanagan College and the University of British Columbia), and is home to a well-established agricultural industry, and a burgeoning tech industry.

Comments on six issues of interest to our membership follow. While there are more, these represent current priorities to our members.

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ISSUE #1 – Proposed Federal Tax Policy Changes

This issue has garnered increasing media coverage since July. A formal policy is expected to be tabled at the Canadian Chamber national AGM in late September, supported by numerous Chambers from across the country, including Kelowna.

The Kelowna Chamber, its members, the BC Chamber and the Canadian Chamber share the view that the proposed federal tax policy changes are deeply unfair to small business and potentially devastating to the Canadian economy. Though a misinformed public might initially favour the proposed changes, we are confident that a clearer understanding of how current tax policy provides necessary incentives to small business owners will eventually bring public opinion into line with small business owners.

It is beyond dispute that in comparison with wage-earning employees and public servants, business owners put more of their capital at risk, often have less income security, do not enjoy employer-funded benefits, are not paid for vacation or sick days, are not cushioned from unemployment by severance pay and employment insurance, and do not have access to traditional pensions. It is also true that the Canadian economy relies heavily on small business owners to create jobs and drive growth. Simply stated, small business owners must take on the burdens and risks that wage-earners will not in order for the Canadian economy to prosper.

The tax "loopholes" that the federal government has now proposed to "close" are in fact fundamental building blocks of the Canadian tax system that partially offset the disadvantages small business owners have in saving for their families and futures. Like wage-earners, small business owners need savings for retirement and security against life's hiccups. However, unlike wage earners, small business owners typically cannot start saving until much later in life. The reasons for this are obvious: in the early part of their working lives, small business owners save less because they are investing in self-education, earning less while they grow their businesses, and investing earnings back into their businesses.

Under our current federal tax regime, small business owners' early investments in productivity are rewarded two ways. First, the business owner who finds success can enjoy a comparatively lower tax burden by paying income to a spouse or other family members who have lived through the lean early years. However, this tax advantage that small business owners enjoy in later years appears somewhat less when considered on a cumulative basis. Whereas a wage-earner can save income taxed at a relatively lower marginal tax rate while the small business owner is investing in herself and her business, the small business owner only starts to build her savings later with income taxed at relatively high marginal tax rates.

The second way our current tax system helps the small business owner "catch up" for lost years of savings is by allowing the business owners to save at an accelerated rate by retaining earnings inside their companies. By continuing to live frugally, surplus income can be retained and invested in the corporation at a lower tax rate. This helps small business owners make up for funds not available to be set aside in early years.

To assert that these advantages are "loopholes" that are not available to wage-earning Canadians misses the point. It could equally be said that the opportunity to build RRSP contribution room is not, in any practical sense, available to small business owners during years they are taking on debt and foregoing personal income in order to pay for schooling, equipment and expansion.

The federal government should think very carefully before it moves to make changes that discourage entrepreneurship in Canada and will cause small business owners to seek other ways of building their savings. In regard to the latter, it would not be surprising to see small business owners slow wage increases, cut wages and benefits, reduce staff numbers, and limit reinvestment in their businesses. Forcing small business owners to make these difficult decisions will not help grow Canada's middle class.

RECOMMENDATION

That the Federal Government:

1. Table proposed tax policy changes that would have a massive impact on small businesses and instead engage in a comprehensive consultation process with the Canadian Chamber and small business owners across the country to identify and address any inequities the federal government believes is inherent in the current corporate tax structure.
2. Ensure any proposed changes do not result in negative consequences for small business owners, their future and the Canadian economy.

ISSUE #2 - Share Capitalization of Canada's Ports & Major Airports

The following policy has been submitted for debate at the 2017 Canadian Chamber AGM by the Greater Vancouver Board of Trade, and is co-sponsored by the Kelowna Chamber Commerce along with the BC Chamber and seven other chambers nationally.

The Department of Finance Canada is currently investigating the "share capitalization" of Canada's ports and major airports, as suggested in recommendations 9.3b and 10.3a of the 2016 Canada Transportation Act Review. This would change the current ownership structure so they are owned by private shareholders and no longer operate as not-for-profit commercial airports or quasi-commercial port authorities. We believe that such a decision would have significant adverse effects on the transportation sector, to the detriment of Canadian consumers, businesses, and local economies.

LOCAL BACKGROUND

Kelowna International Airport (YLW) served 1,732,113 passengers in 2016, an increase of 8.7 per cent since last year, making it the 11th busiest airport in Canada. YLW is owned and managed by the City of Kelowna as a not-for-profit arm's length enterprise. YLW is also one of the single largest economic drivers for jobs and revenues in British Columbia's southern interior, with a total economic impact of 4,545 jobs and $789 million in total economic output to the province. Organizations based at YLW directly produce over $152 million in GDP.

BACKGROUND

Our critical transportation infrastructure connects businesses with opportunities around the globe and across the country. It links visitors with tourism operators and helps students and professionals pursue educational and business opportunities. Our ports and airports create hundreds of thousands of jobs, facilitate the movement of people and capital, and ensure that Canadian products get to market. Therefore, their governance is of the utmost importance to Canada's business community.

As commercial entities, these pieces of critical infrastructure have already harnessed the efficiencies that come with a privatization model. Our current ownership model is a successful "made in Canada" story that has facilitated significant sustainable growth in our transportation industry.
However, a move towards a share capitalization ownership model, regardless of short-term capital inflows, would jeopardize Canada's long-term economic competitiveness and would significantly reduce responsiveness to the interests of the Canadian economy, public and business community. Such a move would drive up costs, and require greater government oversight to regulate these newly minted private-sector monopolies.

We strongly urge the Federal Government to consider the negative potential impacts of share capitalization of Canada's ports and major airports, including higher costs, lower service levels, less capital investment, decreased competitiveness, and the loss of control of a key economic driver and trade facilitator.

Major Airports - Canada

Currently, non-profit airport authorities operate Canada's major airports. Their major capital investments have already been paid for by passengers, airlines, and the airport authorities. If these airports are sold, it will essentially amount to re-financing previous investment at a much higher cost in order to finance shareholder return and cost of acquisition.

Through the process of commercialization in the 1990s, many of Canada's airports have already reaped the benefits of privatization including; transferring capital and operating expenses from taxpayers to private operators; access to capital markets at relatively low rates of borrowing; market discipline and increased efficiency; customer service focus; and striving for innovation.
Under the current governance system, Canadian passenger and freight services have thrived and recently globally ranked 16th out of 140 in terms of quality of infrastructure.[1]

Profits from airports would no longer be directly invested back into the entity and instead be used to pay dividends to shareholders, who would be incentivized to maximize profit margins and shareholder returns. These for-profit entities would also face changes to their ability to borrow money and make the necessary investments in long-term infrastructure.

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[1] World Economic Forum, Global Competitiveness Rankings 2015, http://reports.weforum.org/global-competitiveness-report-2015-2016/competitiveness-rankings/

The Federal Government continues to collect land and infrastructure lease payments and profit from the operation of passenger screening services. Due to fees, taxes, and charges, including after-tax fuel costs, Canadians face some of the highest air-travel costs in the world, negatively impacting our economic competitiveness. In 2013, Canada ranked 136th out of 140 in terms of competitive cost structure.[2] Share capitalization does not offer a solution to this situation and would only exacerbate these issues and move future decision-making outside of the public interest.[3]

Australia has already gone through this process with its airports and it has been found that airports collect significantly more aeronautical revenue per passenger than before their airports were share capitalized, meaning that passengers and airlines are paying more to access the airports.[4] Despite these increases in revenues, ratings of service quality have not substantially changed.
The Australian Competition and Consumer Commission (ACCC) suggests that airlines and passengers in Australia have paid up to $1.6 billion too much for airport access due to this model.[5] The chair of the ACCC, Rod Sims, recently claimed that while privatization often enhances efficiency and economic activity, the move toward share capitalization was "severely damaging" to Australia's economy.[6]

As Canada continues to develop its critical gateway infrastructure and tap into new markets, it is vital that the federal government make no decision that would jeopardize the long-term competitiveness of our ports and airports.

RECOMMENDATION

That the Federal Government:

1. Engage directly with stakeholders and industry experts before any further discussions regarding changes to the governance models of Canada's major transportation infrastructure;
2. Maintain a competitive and responsibly governed transportation industry by retaining the current ownership model for Canada's ports and major airports, wherever appropriate and refraining from forced share capitalization of these assets; and

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[2] World Economic Forum Index of Cost of Access http://www3.weforum.org/docs/TTCR/2013/TTCR _DataTables10_2013.pdf

[3] http://www.theglobeandmail.com/report-on-business/rob-commentary/the-model-is-not-broken-only-dented-the-trouble-with-canadian-airport-privatization/article33359029/

[4] https://www.accc.gov.au/system/files/2015-16%20AMR%20revised%206%20March_0.pdf

[5] https://yow.ca/en/media-center/cta-review/accc-suggests-airport-regulation-says-flyers-pay-16b-extra-fees-due-privatisations

[6] https://www.theguardian.com/australia-news/2016/jul/27/acccs-rod-sims-says-privatisations-severely-damaging-economy

3. Focus government attention on improving the competitiveness of our airports and ports cost structure, including appropriate funding programs to ensure safe and secure operation of our nation's transportation infrastructure.

ISSUE #3 – Improving the Temporary Foreign Worker Program

The following policy has been submitted for debate at the 2017 Canadian Chamber AGM and is being supported by the Kelowna Chamber of Commerce.

BACKGROUND

Canada's ability to recruit and integrate international talent into its labour force will increasingly affect its chances to fully realize its economic prosperity.

An average of 1,100-1,500 temporary foreign workers (TFWs) are part of Kelowna's economy. [source: Citizenship & Immigration Canada]. This number has not shifted substantially since 2008.

Note that in 2002, foreign workers represented 0.25 per cent of the total share of the region's labour force. In 2012, that had increased to 1.09 per cent. Although a very important part of the region's labour force, FWs still only represent between one and two percent.

For the last year stats were reported (2011) TFWs in BC totaled 22,600. The majority (~12,000) worked in micro (1-4) and small (5-49) person businesses. The largest cohort worked in skilled and technical jobs, followed in second place by elemental and labourers (out of five categories).

National

Most companies using temporary foreign workers are small businesses that can't afford to wait to find the appropriate workers and don't have many options for training. Nor can they pay much higher wages to persuade Canadians to relocate.

The Temporary Foreign Workers Program is often the only way for small businesses to find the people they need. While they would much rather employ Canadians, or permanent immigrants, these businesses often have no choice but to look to temporary foreign workers to take jobs that would otherwise go unfilled.

The government can now take a step back and reclaim the opportunity for a truly competitive and effective immigrant selection model. It can adjust instructions and regulations underpinning Express Entry and also address key issues affecting high-skilled talent in the TFWP and the IMP as candidates for Express Entry.

"The evidence is clear that well-managed immigration can contribute to economic growth, generate jobs, promote innovation, increase competitiveness and help address the effects of aging and declining populations," according to a report of the World Economic Forum. Workforce planning is becoming more strategic and demanding for employers.

Part of their response to fill skills gaps should be to tap into every source of talent, including internationally trained individuals who are either here in Canada or are eligible to immigrate here.

Immigration matters too much to Canada's labour market for business not to be engaged in the system. With employers' involvement, Canada can better align immigrant talent with labour market needs and future economic prosperity. Through gainful employment that fully capitalizes on their skills, immigrants will also enjoy both economic and social prosperity here. It will be a win-win-win for immigrants, business and Canada.

Local Need

Skilled TFWs: The growing digital arts sector is one of several burgeoning local industries which needs access to the pool of prospective workers that would be peopled by skilled temporary foreign workers.

Unskilled TFWs: The agricultural base in the Okanagan needs TFWs to thrive. In BC in 2011, Harvesting Labourers totaled 4,505, nearly 4,000 of whom were Seasonal Agricultural workers.

"Full Employment" 2017 [July 12, 2017 *Global News*]

- Kelowna's unemployment rate is now the second lowest in the country, at 3.6 per cent, according to Statistics Canada's seasonally adjusted numbers
- June's number is down from May's unemployment rate of 4.0 per cent
- The lowest unemployment rate in the country is in Brantford, Ont. at 3.3 per cent
- Kelowna has shown an improvement from June of last year, when 7.5 per cent of people in the Kelowna area were looking for work
- Canada's June unemployment number was 6.5 per cent while B.C.'s average is 5.1 per cent

Therefore, annex agreements should be renegotiated to include only a limited list of industries and occupations where qualified Canadians are not available, in order to address immediate labour needs on a temporary basis.

RECOMMENDATION

That the federal government:

1. Ensure that any further changes to the TFWP (Temporary Foreign Worker Program) reflect the needs of the economy on both a regional and a sectoral basis.
2. Modernize LMIA (Labour Market Impact Assessment) applications and feedback by:
    a. Increasing the use of online applications with streamlined forms
    b. Instituting an appeal process for denied LMIA applications
    c. Giving clearly detailed explanations to applicants when LMIA applications re denied
    d. Removing restrictions for full-time employment on the LMIA application
    e. Setting a maximum processing time for all LMIA applications
3. Implement Recommendations from the September 2016 HUMA (House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities} TFW Report by:
    a. Reviewing the LMIA process to increase speed and efficiency

    b. Implementing a “Trusted Employer program” to reduce processing times for applications
    c. Permitting contract modifications for TFWs if both parties consent, to alter agreed-upon wages or change duties
    d. Exempting high-wage TFWs from the Transition Plan requirement
    e. Reviewing pathways to permanent residency for any TFW fulfilling a permanent labour market need
4. Expand the use of Global Skills Strategy categories for occupation-specific work permits for TFWs that are excluded from the requirement to apply for an LMIA
5. Include industry representatives in TFW Working Groups prescribed in the Annex Agreements

ISSUE #4 – Protecting Canada’s Fresh Waters from Zebra and Quagga Mussels

The following Policy has been submitted for debate at the 2017 Canadian Chamber AGM by the Kelowna Chamber of Commerce. It is being supported by the Natural Resources and Environment Committee of the Canadian Chamber.

BACKGROUND

The rapid spread of invasive zebra and quagga mussels through fresh waters east of Saskatchewan has had devastating impacts on hydroelectric power, marine shipping, fishing, and tourism industries. These species have recently spread through waterways in the southwest United States, and now pose an imminent threat to fresh waters in British Columbia. The federal and provincial governments must take decisive action now to avoid irreversible damage to our marine and tourism industries.

Quagga and zebra mussels pose a serious and costly threat to aquatic ecosystems, salmon populations, tourist destinations, hydro power stations and other infrastructure facilities throughout British Columbia. Native to Eastern Europe and Western Asia, quagga and zebra mussels have caused millions of dollars in damage to the Laurentian Great Lakes area and have cost the North American economy billions of dollars to control. The damage these species cause is diverse; among other things, quagga and zebra mussels:

- Disrupt native ecosystems by altering food webs, concentrating pollutants in their wastes, and inducing bird and fish kills;
- Attack infrastructure by clogging water intakes and distribution systems, and by damaging pumps and hydroelectric power generating facilities;
- Injure tourism (and tourists) by fouling beaches with razor sharp shells and decay odour; and
- Hurt marine industry by impairing the structural integrity of steel and concrete (such as are found in marinas and port facilities), and causing damage to watercraft.

Zebra and quagga mussels typically migrate from one body of water to another on or in watercraft, but can also be transported on boat trailers, fishing gear, recreational equipment and float planes. In addition to adults that attach themselves to hard surfaces, larvae, which are invisible to the naked eye, are easily transported to new waters in ballast tanks and bilges.

Once introduced to a body of water, there is no known way of eradicating zebra and quagga mussels. Their unwelcome presence is permanent, and the damage they cause, perpetual.

Fortunately, the advance of these species has not reached the lakes and waterways of British Columbia. But the danger to these waters and the economies they support could not be clearer. On March 12, 2014, Canada Border Services Agency (CBSA) staff in Osoyoos, British Columbia observed invasive mussel shells on a boat being transported from Lake Pleasant, Arizona.

Though federal legislation did not then allow mussel-contaminated boats to be stopped at the border, the hauler voluntarily allowed the boat to be detained and decontaminated. This incident represents just one of many potential catastrophes averted.[7]

Our federal government has taken action to combat the threat of invasive mussels, but more coordination between federal and provincial jurisdictions is needed. The Aquatic Invasive Species Regulation (AISR), provides a comprehensive response to invasive mussels. However, giving full effect to the AISR requires action from provincial governments, in the form of both complementary legislation and commitment of resources.

RECOMMENDATION

That the Federal and Provincial Governments:

1. Coordinate legislation that is complementary to the federal Aquatic Invasive Species Regulation that aggressively meets the risk that invasive mussels pose to British Columbia's waters with appropriate funding and staff resources;
2. Continue to cooperate with states and provinces already engaged in the fight against zebra and quagga mussels to coordinate responses and develop best practices;
3. Strengthen its work with the states and provinces of the Pacific Northwest Economic Region (PNWER) to establish and defend non-contamination perimeter;
4. Ensure that British Columbia's waters remain free of invasive mussels by providing appropriate resources to implement a compulsory watercraft inspection regime; and
5. Build on the federal regulations, where each boat that crosses the international border needs to be inspected by CBSA.

ISSUE #5 – Removing Impediments to Growth of Digital Media in BC and in Kelowna

BACKGROUND

Through more productivity and innovation, BC's digital media, film and animation industries are growing rapidly and continue to create jobs, business opportunities and economic growth for the province.

[7] In 2011 and 2012, authorities in Idaho stopped more than six boats per year bound for western Canada that were infested with mussels.

These three industries often combine digital technologies to produce their work and each sector is experiencing similar impediments to expand with this growth, making this policy issue still relevant today and over the next years ahead.

In recent years the Provincial Government has placed a significant focus on implementing measures to encourage growth in the industry.

In the 2015 BC Budget the Interactive Digital Media Tax Credit was extended for an additional three years to August 31, 2018. Previously this credit was available for eligible salary and wages paid on or after September 1, 2010 and before September 1, 2015. Budget 2015 also extended the training tax credits for an additional three years to the end of 2017. Previously, these credits were available for the period beginning on January 1, 2007 and ending on December 31, 2014. In regards to the Digital Animation or Visual Effects (DAVE) tax credit, the budget expands the scope of the credit to include eligible post-production activities. The credit will be available for productions where principal photography begins on or after March 1, 2015.[1]

The B.C. government's comments on the 2012 policy also include a commitment to continuing support of sector workforce planning projects via the Labour Market Partnership (LMP) Program. Under this program, the sector benefited through two prior agreements.

The first was to research and develop a comprehensive Human Resource strategy, and the subsequent agreement supported implementation of the strategy including the creation Sector Council to voice industry needs moving forward and recommend changes and/or the creation of new workforce programs.

The province has also worked with the digital media industry and Citizenship and Immigration Canada to modify the TFW recruitment process to allow the industry freer access to international technical skills through not easily accessed in Canada through a more timely Labour Market Opinion (LMO) process and a more flexible LMO advertising requirement for IT professionals. In addition, the ministries of Jobs, Tourism and Skills Training and Advanced Education developed the Post-Graduate Work Permit Program Pilot for international students. In addition to involvement in the 2012 Immigration Task Force Review, industry representatives have been.[2]

Digital Media

BC's video game industry is anchored by permanent, knowledge-based, creative positions at more than 142 companies that develop software for game consoles, mobile devices, personal computers and online platforms. Jobs in this industry are typically long-term, full-time positions. According to the Entertainment Software Association of Canada (ESAC), the average employment span is 9.4 years – the highest in Canada.

In 2012, the video game industry in B.C. was responsible for $568 million in gross expenditures, and 40% of companies reported they expected growth of more than 25% in 2014.

The BC video game industry alone employed 4,600 people and made a GDP contribution of $705 million in 2013, up 36% from $520 million in 2008. Also, the interactive digital media industry job growth helped stimulate technology job growth in other sectors such as education and health care.

The average industry employee is 33 years old, married with kids, owns their own home and earns an average annual salary of $76,000 (almost double the BC average).

If BC is to regain its leadership position in the global video game sector and capture the opportunity to create thousands of new jobs in the coming years, we need an enhanced tax credit program to incentivize new growth and investment. With an enhanced program in place, we believe we can double the size of the industry and create 5,300 new jobs in the coming five years.

DigiBC and the B.C. industry recommends in addition to the extension of the current IDMTC to 2018 to also include the following modifications:

Make the program more competitive by increasing the credit to 30% (effective tax credit of 21.5% net of B.C. SR&ED) and including contract labour at 50% of the base tax credit (15%).

Make the program more accessible by allowing companies to concurrently participate in BC's venture capital programs, removing upfront administrative fees to participate in the IDMTC, and allowing companies creating cinematic sequences for video games to participate in the program.[3]

Animation

B.C.'s talented animation industry has produced a wide range of world-class entertainment from endearing children's cartoons such as The Naughty List, Ella the Elephant and Nerds and Monsters, exciting games about fantasy worlds such as Halo 2 and Beyond Earth, action packed TV series such as Spiderman and Heavy Gear and feature films such as Escape from Planet Earth and Clockwork Girl.

Creative BC and the B.C. branch of the Canadian Media Production Association recently held the first BC Animation Day in Los Angeles to showcase the breadth and range of our creative talent and build relationships with top producers in this important market. A delegation of eleven B.C. animation companies participated in this trade mission and held business meetings with more than 30 companies in LA. The participating B.C. companies included: Arcana, Atomic Cartoons, Big Bad Boo Studios, DHX Media, Bardel Entertainment, Kickstart, Nerd Corps Entertainment, Rainmaker Entertainment, Slap Happy Cartoons, Sequence and Waterproof Studios.[4]

Of these, Bardel Entertainment Inc. is the leading animation services provider in North America. They are located in Vancouver, Kelowna and Los Angeles and have been doing animation for close to 30 years (since 1987). Bardel's CEO, Delna Bhesania, identified 3 main areas restricting growth to their industry:

Connectivity infrastructure and locations to set up production. They are in critical need for power and fiber-optic infrastructure in buildings, permitting and available space to operate costing millions in lost revenue. Kelowna, B.C. has the infrastructure but is not yet set up to attract talent to relocate.

Skilled workforce. Many graduates need extensive additional training to be employable, leaving the industry continuously short of skilled labour.

Immigration process applications. A more streamlined process is needed to go through Service Canada's Labour Market Impact Assessment applications to bring in talent from other countries.[5]

Film

Vancouver is the core of the third-largest foreign film and production centre in North America, known worldwide as Hollywood North. British Columbia accounts for about 60% of all foreign location film and TV production in Canada. Film makers have been attracted by B.C.'s natural beauty since the late 19th century. Major studios were developed in Greater Vancouver in the late 1980s, and the Government of British Columbia started providing assistance to the industry in 1998. Total direct and indirect full time equivalent jobs generated by film and TV production in B.C. are estimated at over 36,000.

The industry has a strong balance of international and domestic production activity. Domestic productions have increased significantly in recent years and now account for 40 per cent of total local spending.

The Vancouver region is home to most of B.C.'s production and post-production activities, with sufficient capacity to support the biggest Hollywood movies in casting, set-building, location filming, and audio and special effects. Vancouver is home to some of North America's most expansive and sophisticated studio spaces and facilities.[6]

Digital media generates annual revenues of $1.2 billion in British Columbia.

We have 900 digital media companies employing 14,000 people.

Our digital media companies produce video games, animation and visual effects, social media, interactive marketing, and e-learning products.

British Columbia has one of the top video game clusters in the world, with more than 65 game development studios employing 5,000 professionals.

Digital media companies here develop products used in health care, education, and other fields.

British Columbia's film, television, and digital media sector has a combined workforce of 49,000.[7]

On January 31, 2013, the provincial government announced that effective April 1, 2013 the programs and services of the BC Film Commission and BC Film + Media would be combined under one agency, Creative BC. This new agency is an independent, non-profit society that is responsible for promoting the development of creative industries in British Columbia and providing a single point of access for industry programming, production support services, tax credit administration, international marketing and policy development. The formation of Creative BC streamlines assistance for the film and television production sector, while also supporting and stimulating the development of B.C.'s broader creative industries. [8]

Conclusion

The digital media industry has become a significant economic driver in B.C. with no signs of slowing down over the next years ahead. With this growth B.C. has an opportunity to set up the infrastructure necessary for this industry to become global leaders across all its sectors and continue to strengthen B.C.'s economy.

RECOMMENDATION

That the Provincial Government works with the Federal Government, municipal governments, the academic sector and the digital industry to identify impediments to this sector's growth focusing on Provincial and Federal tax structures that develop globally competitive film, digital media and animation industries in BC.

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[1] KPMG's Tax News Flash Highlights of the 2015 British Columbia Budget

February 17, 2015 No. 2015-09 http://www.kpmg.com/Ca/en/IssuesAndInsights/ArticlesPublications/TNF/Pag...

[2] B.C. governments comments made on the B.C. Chamber of Commerce's 2012 Growth Engine BC Digital Media Industry policy.

[3] British Columbia Video Game Industry Report by DigiBC on behalf of the Digital Media and Wireless Association, November 2014.

[4] CreativeBC's blog post titled: BC's Animation Industry Creates Winning Hits,

January 19, 2015 http://www.creativebc.com/2015/01/13/bcs-animation-industry-creates-winn...

[5] Quote from phone conversation with Delna Bhesania, February 2015.

[6] Vancouver Economic Commission website page on B.C.'s Film and Television Production,http://www.vancouvereconomic.com/page/film-television-production

[7] Trade and Invest British Columbia - Global film, television and digital media industry webpage: http://www.britishcolumbia.ca/invest/industry-sectors/technology/film-te...

[8] CreativeBC 2013/2014 Activity Report: http://www.creativebc.com/database/files/library/CreativeBC_ActivityRepo...

ISSUE #6 – Renegotiate a NAFTA Suited for Modern Business and Trade

The following policy has been submitted for debate at the 2017 Canadian Chamber AGM by the Regina & District Chamber of Commerce – The International Affairs Committee supports this resolution. The Kelowna Chamber supports this policy.

BACKGROUND

NAFTA is Canada's single most important international free trade agreement. On May 18, 2017, the United States formally notified the U.S. Congress of its intention to initiate negotiations related to NAFTA with Canada and Mexico. Canada must be prepared to renegotiate a NAFTA that reaffirms our commitment to free and open trade and that reflects the needs of modern business.

According to the US Chamber of Commerce the value of NAFTA is $1.3 trillion (US) annually, impacting 125,000 American businesses and 15 million jobs. U.S. goods and services trade with Canada totaled an estimated $627.8 billion in 2016. Exports were $320.1 billion; imports were $307.6 billion. The U.S. goods and services trade surplus with Canada was $12.5 billion in 2016. [122]

This trade agreement is critical for all three NAFTA partners, affecting each and every Province, Territory and State across North America.

In recent months, NAFTA has been oversimplified to emphasize trade deficits in what is too often portrayed as isolated bilateral import-export product exchanges. This view is misguided. North America's trade flows in fact demonstrate the extent of our highly integrated and globally competitive supply chains.

78% of imports from Canada to the United States are raw materials, parts and components and services used to make other goods and services in the United States. In a wide range of instances those raw materials, parts and components are moved up the value chain, sold domestically and/or exported abroad, including back to Canada. Canadian inputs represent around 3% of the value of US exports to the rest of the world while U.S. inputs represent 10% of the value of Canadian exports to the rest of the world.

The above figures attest to the valuable contribution that international trade, regional and global, has to job creation, sustaining the livelihoods of millions of Canadians, Americans and Mexicans.

There is little doubt that NAFTA needs to be modernized. Our smart phones, nowadays crucial to day to day business, did not even exist when the agreement was originally signed. GPS and internet-enabled cars did not either. Correspondingly, the calculation methods for NAFTA's rules of origin are no longer suited for today's trade.

More and more, business is impacted by the rapid growth of digital trade and trade in services.

> "…the economy has undergone a radical transformation in the nearly 25 years since the North American free-trade agreement was signed... Cross-border flows of goods, and even services, have slowed in recent years. But data-based trade is exploding. Cross-border data flows already contribute more to the global economy than trade in goods, according to a recent McKinsey Global Institute study." [123]

A new NAFTA must reflect the needs of modern business exchange. Moreover, it can serve as a reaffirmation of North America's commitment to free and open trade. A blueprint for multilateral trade agreements two decades ago, NAFTA can once again provide that standard for trade in the 21st century.

RECOMMENDATION

That the federal government:

1. Ardently opposes any move toward greater protectionism within NAFTA.
2. Work to modernize NAFTA, recognizing modern business practices and the important contributions of the knowledge economy to Canada's GDP and exports;
3. A new NAFTA should seek more, not less trade liberalization among the NAFTA partners.
4. Look to relieve administrative burdens to North America's businesses, with regulatory cooperation and trade facilitation being two important areas for improvement.

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122 Office of the United States Trade Representative, Executive Office of the President

123 McKenna, Barrie, "Is Ottawa ready for a New Economy version of NAFTA?"; The Globe and Mail, 4 06, 2017; https://www.theglobeandmail.com/report-on-business/rob-commentary/is-ottawa-ready-for-a-new-economy-version-ofnafta/article35199086/

ISSUE #7 – National Housing Strategy

BACKGROUND

In June of 2017, after a year of broad consultations, the Government of Canada, specifically the Minister of Families, Children and Social Development, represented by the Honourable Jean-Yves Duclos, asked CMHC to lead the development of a National Housing Strategy.

Numerous white papers, study groups, and consultations have been published and convened on this subject over the past five years. The goal has been generally defined as ensuring that Canadians have the housing they need and that they can afford.

The CMHC has said that the strategy is being created "precisely to diminish the inequity that we see growing in our communities daily – to close the gap between the 'haves' and 'have nots.' " [8]

Affordable housing is essential to a growing economy and to a healthy society. According to the CMHC, any housing policy that is eventually legislated and enacted will be based on popularly defined as Canadian values, such as tolerance, diversity and social inclusivity. [*ibid*]

Local Background – Provincial Issues

Affordable housing is important to the business community as an economic driver, and in offering a competitive advantage for a skilled workforce and community growth.

The Kelowna Chamber believes that reduction and eventual elimination of the provincial property transfer tax creates a positive impact on the business community and the Province.

The tax is charged at a rate of: 1% on the first $200,000, 2% on the portion of the fair market value greater than $200,000 and up to and including $2,000,000, and 3% on the portion of the fair market value greater than $2,000,000. Freeing up this channel and adding it to federal spending programs and incentives is one way to achieve local affordable housing sooner.

The Chamber has asked provincial legislators to commit to creating a new Primary Residence Grant that would see people purchasing a primary residence charged only a 1% property Transfer Tax.

Wealth and income inequality are linked: educational level also has a strong correlation to housing prices, and market affordability.

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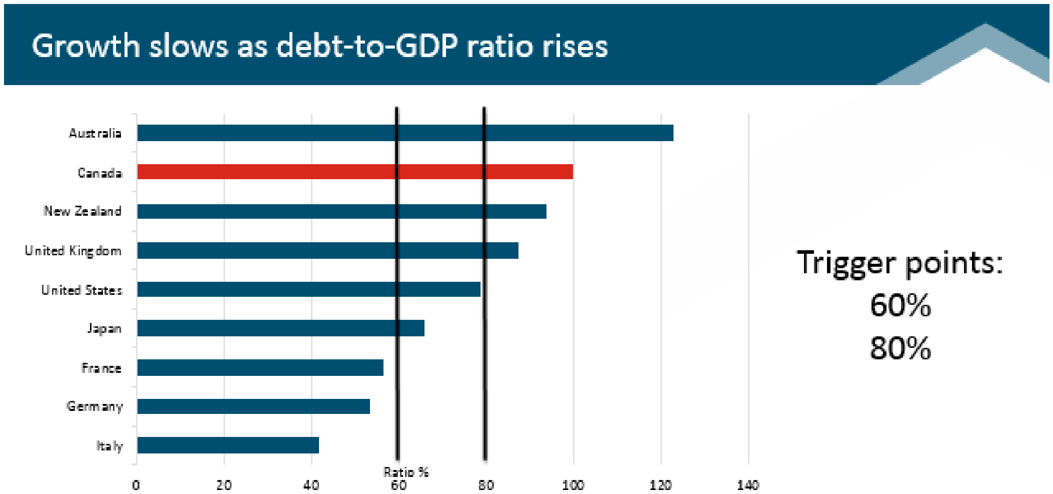
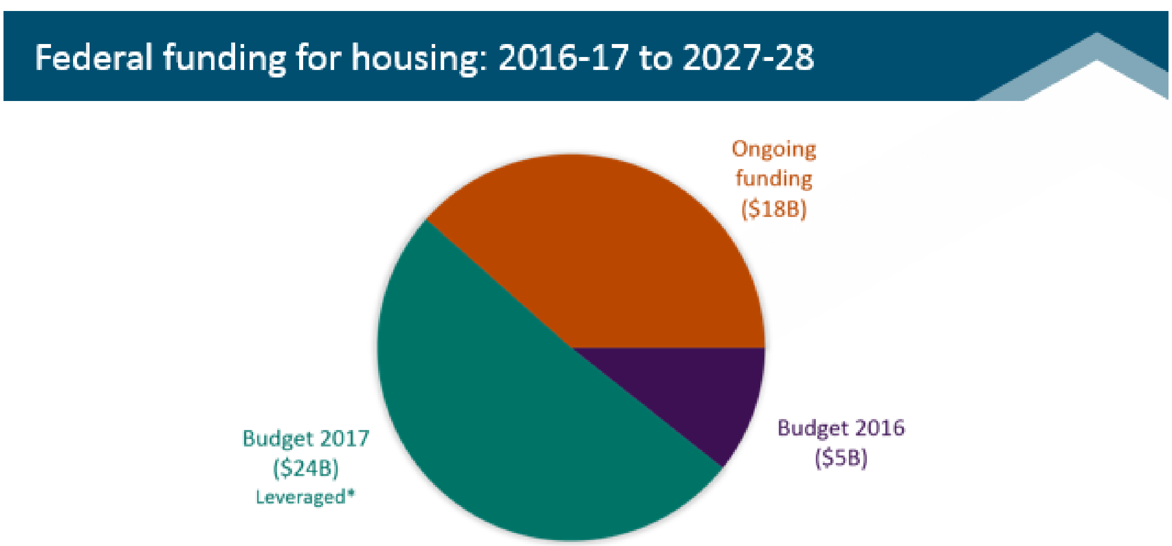
[8] Evan Siddall, President and Chief Executive Officer, Canada Mortgage and Housing Corporation https://www.cmhc-schl.gc.ca/en/corp/nero/sp/2017/2017-06-01-1245.cfm



Source: BIS, Calculations by CMHC. Study: BIS Working Papers No. 607, “The Real Effects of Household Debt in the Short and Long Run” by Lombardi et al, Jan. 2017.

Quantifying the relationship between Canada’s growing household debt, economic growth and housing affordability was the subject of a recent study noted in the chart above. Between 1990 and 2015 the study found that for every one per cent increase in the ratio of debt to GDP, growth was lowered by one-tenth of one percent.

Social issues resulting from a lack of affordable housing are also in need of being examined in an extensive national survey, one which numerous chambers of commerce have been calling for over the past decade.



* Total public and private investment enabled by Budget 2017. Source: CMHC

RECOMMENDATION

That the federal government:

1. Adhere to its new Plan strategy and timeline as announced in June 2017
2. Complete the planning in consultation with business leaders in each province
3. Ensure that the social components of the program are paid for through strategies embedded in the Plan, and do not represent new taxes on the entrepreneurial builders and developers in Canada's urban areas
4. That the plan have built-in safeguards against short-term price appreciation/volatility
5. That speculation and investment activity be market-driven, rather than legislated
6. That the market factors affecting supply and demand be allowed to self-regulate, rather than be legislated
7. Legislate and launch the Plan by the end of the fiscal year 2018 with no additional taxes on Canadian businesses.

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