



Business Council of
British Columbia

January 16, 2009

Emailed to pm@pm.gc.ca - Original in mail

Right Honourable Stephen Harper
Prime Minister
Langevin Block 80 Wellington Street
Ottawa ON K1A 0A3

Dear Prime Minister:

On behalf of the Business Council of British Columbia, I want to thank you for providing Business Council representatives with an opportunity to meet with you and with Finance Minister Flaherty during your respective visits to the province earlier this week.

Established in 1966, the Business Council is an association representing more than 260 large and medium-sized enterprises engaged in business in British Columbia. Our members are drawn from all major sectors of the provincial economy, including forest products, mining, manufacturing, transportation, agri-food, telecommunications, information technology, financial services, energy, utilities, tourism, retail, construction, biotechnology and life sciences, film, engineering, healthcare, education and the professions. Taken together, the corporate members and the associations affiliated with the Business Council are responsible for one-quarter of all jobs in British Columbia.

Economic Backdrop

After several years of solid growth, the Canadian economy has slowed markedly and is now likely in recession, due to the global financial crisis and the steep drop in economic activity being seen in the United States, our largest trading partner. Despite steps by the Bank of Canada to reduce interest rates, and by your government to cut taxes and boost infrastructure spending and transfers to the provinces, the economic outlook for 2009 is bleak. Even in Western Canada, unemployment rates are climbing, investment is dwindling, and businesses are grappling with the challenges posed by the drying up of credit in many sectors.

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In this setting, we believe the federal government has a role to play in supporting the faltering economy by adopting a sizable stimulus program in the upcoming 2009 budget. We recognize that doing so will result in the return of budget deficits for at least the next 2-3 years. While regrettable, running a deficit is necessary at a time when private demand and spending are under significant downward pressure and all major industrial nations are in or close to recession. However, it is vital that Canada avoid falling back into a pattern of structural budget deficits like those experienced over the 1980s and the first half of the 1990s. Thus, we recommend that the 2009 budget also include a time-table for eliminating deficits over the medium-term. In addition, even during a period of budget deficits, the government should commit to ongoing expenditure review so that resources can be found to meet new needs through reallocation of funding from lower priority areas.

Elements of a Stimulus Package

The past few weeks have seen much discussion of what might be featured in a new federal economic stimulus package. Many thoughtful proposals have been advanced by political leaders, think tanks and associations, and we do not intend to offer a comprehensive assessment here. From our perspective, there is broad support within the BC business community for the suggestions set out below. Importantly, most of these proposals are intended to be temporary in nature and thus should not lead to a permanent rise in government outlays (or a permanent decrease in tax receipts).

- Accelerated government investment in infrastructure projects that can be commenced quickly, in sectors such as municipalities, transportation, and post-secondary education. Among the most attractive candidates for initial funding are projects that involve addressing “deferred maintenance” issues rather than building entirely new infrastructure from scratch.
- The creation of a time-limited fund to finance the construction of social housing, with an emphasis on alleviating urban homelessness. Such a fund could be structured so that it is available to provinces, local governments and other entities that are prepared to commit matching dollars to develop social housing within the next two years.
- Additional income support for workers in hard-hit industry sectors such as forestry.
- Through the Employment Insurance program, measures to expand the use of work-sharing for employees at risk of temporary lay-off.
- Removal of the GST on new housing for a period of 18-24 months. To stimulate home ownership, the government should also look at increasing the RRSP withdrawal limits under the Home Buyers’ Plan (and extending the associated payback period).
- Expansion of the federal Working Income Tax Benefit introduced by your government as a way to further assist working Canadians with relatively low employment incomes.



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- Enhanced tax incentives to stimulate business investment in machinery, equipment, technology and research. This could include (but not be limited to) extending the eligibility period for the two-year write-off for investments in manufacturing processing machinery and equipment introduced in the 2007 Budget.
- The government should also review development expense write-off programs for the natural gas industry, given the current economic climate facing natural gas producers and the industry's increased focus on development versus exploration activity.
- Investments in post-secondary education to revitalize aging facilities and to accelerate activity that assists in spurring the creation and commercialization of new knowledge.

Access to Capital

Since the onset of the global financial crisis, governments and central banks in Canada and elsewhere have taken extraordinary action to stabilize credit markets and shore up national financial systems. Despite the efforts of the Bank of Canada and the federal government, many businesses in BC continue to find it difficult to obtain capital needed to run their operations and invest in growth. Asset-backed lending markets have largely disappeared, causing more businesses to turn to the chartered banks for credit at a time when these institutions are seeking to reduce the risk profile of their loan portfolios. The cost of credit has risen for Canadian business – even for well established firms with solid banking relationships.

Economic recovery depends on Canadian businesses large and small being able to borrow on something closer to “normal” terms. It also requires a return to more “normal” conditions in the markets for corporate equities and bonds, so that enterprises can again tap these sources of financing.

The Business Council supports the government's plan to increase capital for the Export Development Corporation and for the Business Development Bank of Canada. Additional action may be necessary to get credit flowing again – for example, more aggressive measures to improve access to trade financing to assist Canadian exporters, and perhaps even government loan guarantees for selected large firms in temporary distress.

Other Suggestions

Regulatory reform:

The business community recognizes that sound regulation is a vital part of a competitive, well-functioning economy. But outdated, poorly designed regulatory regimes hinder investment, slow growth and stymie innovation by imposing excessive costs on firms and also by introducing additional complexity and uncertainty into the economic environment. Particularly at a time when Canada's economy is visibly struggling, policy-makers should be looking for ways to improve existing regulatory processes now and for the long term.

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From a British Columbia perspective, a particular problem stems from the federal government's role in reviewing and regulating activities in sectors such as energy generation, pipelines, mining, port development, and transportation. Often, federal Ministries and agencies end up duplicating work that is done at the provincial level. In almost all cases, the relevant federal review/approval processes suffer from the absence of: statutory timelines for decisions, clear assessment criteria, and efficient mechanisms to coordinate the frequently differing perspectives of various federal Ministries/agencies. In short, the overall structure of federal review, approval and permitting processes for new projects under the *Fisheries Act*, the *Canadian Environmental Assessment Act*, the *Navigable Waters Act*, energy legislation, and other statutes results in excessive costs, lengthy delays, and high levels of uncertainty for project proponents and other stakeholders.

Building on existing initiatives such as the Major Projects Management Office in Natural Resources Canada, we urge the government to move aggressively to streamline and modernize federal regulatory regimes and review processes in the areas identified above. Strong, sustained political direction is required to achieve greater cooperation and reduce duplication and inconsistency between federal and provincial government Ministries and agencies that have regulatory responsibilities in respect of environmental assessment, permitting, major project development, and fisheries management. We see no reason why provincial environmental assessments should not be deemed sufficient to secure federal approval for many projects that presently trigger reviews under the *Canadian Environmental Assessment Act*. As an initial step in this direction, the government could exempt small-and modest-scale "green" energy projects from environmental assessment by federal agencies.

Asia-Pacific Gateway

British Columbia's position as Canada's gateway to the Asia Pacific will play a major role in shaping the province's future - and that of the country as a whole. The value of BC's merchandise exports to China has jumped by more than 400% in the past dozen years, and all indications are that this strong growth trend will resume once the current global economic downturn has passed. Western Canadian export shipments to Japan by way of BC ports remain substantial. And the volume (and value) of Asian-origin imports arriving at BC ports has soared, generating new business for the transportation, logistics and warehousing industries as well as for providers of business services. All of this has put unprecedented pressure on BC's transportation infrastructure - the ports, railways, and highway system. For these reasons the Business Council applauds the support which the federal government has shown for BC-based projects intended to expand and modernize Canada's Pacific Gateway, including the South Fraser Perimeter Road and the development of the Prince Rupert Container Port.

As Asia looms larger in the global economy, Canada must continue to invest in building its capacity to engage with the region - not just in terms of trade and commerce, but also in areas such as tourism, education, science and technology. We urge a renewed effort to

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conclude an approved destination status agreement with China this year, so that the Canadian tourism industry can capitalize on the opportunities created by the emergence of a large, rapidly growing middle class in that country. Canada also needs to step up the pace of discussions aimed at reaching new trade agreements with Asian countries – it is worrisome that we have fallen far behind Australia and the United States in developing modern commercial agreements with key Asian trading partners.

As a final comment, the Business Council recommends that you and your Ministers continue to emphasize to Canadians that while the country does face some real economic challenges, we are also well-positioned for recovery and for future economic success.

Thank you for providing the Business Council with an opportunity to provide input into the 2009 federal budget.

Yours sincerely,

*Original signed by
Virginia Greene*

Virginia Greene

cc: Honourable James Flaherty, Minister of Finance