



**Business Council
of British Columbia**

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2006 09 12

Mr. Stewart Young
Strategic and Corporate Policy Division
Ministry of Finance
PO Box 9469 Stn Prov Govt
Victoria BC V8W 9V8

Re: Provincial Training Tax Credits

Dear Mr. Young:

The Business Council of British Columbia is pleased to offer our comments on the government's proposed training tax credit program.

By way of background, the Business Council, established in 1966, is an association representing more than 200 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 and pipelines, tourism, retail, construction, 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. The Council has a longstanding interest in education, skills development and all aspects of labour and human resources policy.

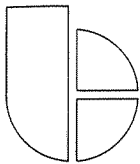
Budget 2006 contained a number of measures that are consistent with previous Business Council recommendations aimed at improving education, training and skills development in the province. Specifically, the budget announced additional funding for post-secondary education, new initiatives to help immigrants succeed in the labour market, increased funding for apprenticeship training under the Industry Training Authority (ITA), and a three year \$90 million training tax credit program to assist in meeting the province's growing demand for skilled workers.

We see the proposed training tax credit program as one part of a more comprehensive policy agenda to strengthen BC's "human capital" base, boost productivity, and address current and looming skills shortages.

Scope of the Program and Key Principles

Before providing more specific comments on the issues raised in the discussion paper published by the Ministry of Finance earlier this year, we would like to make two initial observations.

First, a commitment of \$30 million per year for new training tax credits is welcome. However, a program on this scale cannot be expected to have a major impact on the amount of training or the extent of skills upgrading that occurs in a \$170 billion provincial economy that employs more than two million people and is populated by literally hundreds of thousands of individual business enterprises. Clearly, the government will need to establish criteria to limit eligibility for



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the tax credit to defined industries, groups of enterprises, and/or particular occupations. This is not a simple task.

Second, the Business Council believes that industry and employers, not governments, have primary responsibility to provide most types of employee training. In particular, it is up to employers to offer and pay for orientation training, health and safety and other regulatory training, informal training, and what is often termed “firm-specific” training. In this connection, it is important to note that BC taxpayers already bear a significant financial burden for developing the province’s human resources through extensive public funding of the K-12 education system as well as post-secondary education institutions and programs.

Having consulted with our members and reviewed the Ministry of Finance discussion paper, the recent report of the BC Competition Council, and other pertinent literature, the Business Council offers the following recommendations concerning the scope, design and focus of the new training tax credit program.

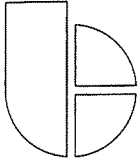
First, we believe that allocation of the tax credit should be based on the need to deal with existing and projected skills shortages, not general labour force development. That is, the available funding should be targeted to increase the supply of skilled workers in high-demand fields and occupations.

Second, the training tax credit should be structured to support incremental training and workforce skills development by private sector enterprises. This means, *inter alia*, that the tax credit should not be used to help defray the cost of training that is already being provided by businesses.

Third, the Business Council’s view is that skills training supported by (and eligible for) the new tax credit should lead to some form of credential for the employee upon completion. That does not mean that the tax credit should be limited to existing apprenticeship programs, which are in any case receiving increased provincial government support through the ITA as well as through a number of measures announced in the 2006 federal budget.¹ What’s important is that training supported by the tax credit be formal, structured and result in the granting of a credential signifying that a specific level of skill-related knowledge has been acquired.

Fourth, the training tax credit should be designed to encourage successful completion of an eligible training program – for example, by withholding all or a portion of the tax credit until certain milestones are reached, including program completion. The proportion of an employee’s wages/benefits that an employer may claim as a tax credit could be linked to the employee’s progress toward obtaining a recognized credential relevant to workplace skills.

¹ The 2006 federal budget announced a new apprenticeship tax credit for employers, grants of up to \$1,000 per apprentice per year, and a new tax deduction of up to \$500 for tradespeople for the cost of tools in excess of \$1,000.



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Fifth, to ensure that businesses which are not profitable in a given year are not excluded from the program, we recommend that the tax credit be refundable. This is consistent with the approach that Ontario took in developing its 2004 apprenticeship training tax credit.

The Business Council of British Columbia appreciates the opportunity to provide input on this important and timely provincial government initiative.

Yours sincerely,

Jock Finlayson
Executive Vice President - Policy

/vjc

Via Email – Stewart.Young@gov.bc.ca
Original to follow by mail.

cc: Tamara Vrooman, Deputy Minister of Finance
Max Logan, Ministerial Assistant, Minister of Finance
Business Council Executive Committee and Board of Governors
Business Council Economic Policy Committee