

BC Businesses Face Affordability Crunch

CFIB 2019 Budget Submission

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In advance of the 2019 provincial budget, the Canadian Federation of Independent Business (CFIB) is putting forward its pre-budget priorities to help British Columbia's small and medium-sized businesses continue to do what they do best—create jobs, grow the economy and support local communities across the province.

Introduction

On behalf of CFIB and our 10,000 independent business members across BC, we appreciate the opportunity to present our recommendations for the 2019 provincial budget.

CFIB is a non-partisan, non-profit, political advocacy organization with a membership comprised of over 110,000 small and medium-sized businesses (SMEs) across Canada. Our members in BC are located in every region of the province, with diversity in activity that closely parallels that of the provincial economy. Our members are regularly surveyed in order to determine their positions and priorities. In addition, CFIB representatives meet with virtually every single member at least once a year, providing additional opportunities to take the pulse of BC's dynamic small business sector.

This submission is organized as follows:

- Context on BC's economic status, including BC small businesses owners' confidence about the performance of their business and the economic climate going forward
- Small business' views on priorities for the BC government in the 2019 budget.
- Recommendations to the provincial government to improve the climate for small businesses

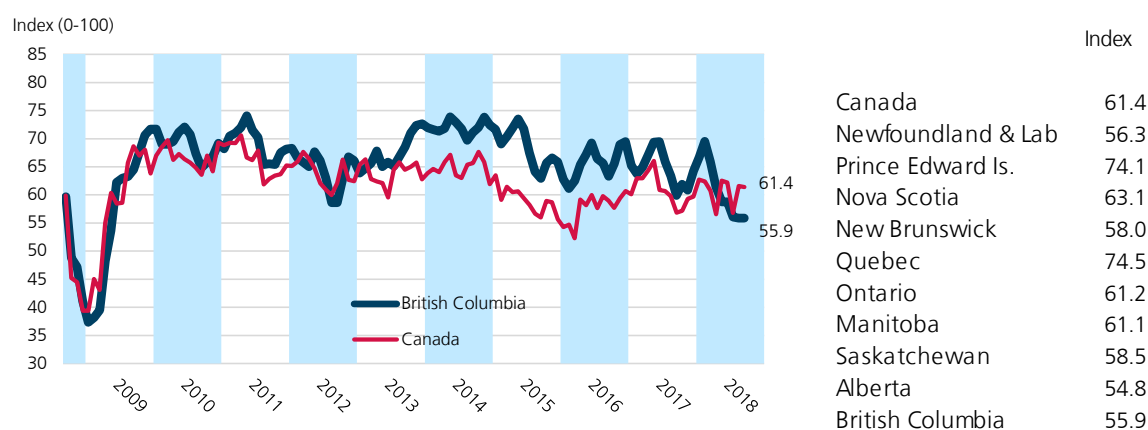
CFIB Business Barometer®

CFIB's Monthly Business Barometer® is a reliable indicator of economic conditions that is regularly used by a number of financial institutions in Canada, including Bloomberg, the Bank of Canada and Scotiabank. Tracked against GDP, the Barometer index tends to closely reflect what is currently happening more broadly in the economy. Measured on a scale between 0 and 100, an index level above 50 means owners expecting their businesses' performance to be stronger in the next year outnumber those expecting weaker performance. Index levels normally range between 65 and 75 when the economy is growing.

Figure 1:

CFIB Monthly Business Barometer Index (British Columbia vs. Canada)

(% anticipating stronger performance)



Source: CFIB BC Business Barometer, September 2018.

British Columbia started 2018 around a relatively healthy index, peaking at an index of 69.5 in February. However, since then business confidence has weakened significantly. In September 2018, the barometer showed BC small business confidence index sitting at 55.9 (see Figure 1), which places the province's entrepreneurs as being the second least optimistic in Canada.

Provincial highlights include:

- Nineteen per cent of business owners in September say they are planning to add full-time staff in the next three months, up four points over the same month past year. Thirteen per cent expect their workforce to shrink, up two points compared to September 2017.
- Forty-four of those surveyed in September described the general state of their business as 'good', down six points from September 2017. Nine per cent characterize it as 'bad', up two points.
- Shortage of skilled labour continues to be the biggest challenge for small business in B.C., with 48 per cent of business owners saying it was limiting their sales or production growth in September 2018. Small businesses identified management skills and time constraints (34 per cent) as the second biggest operating challenge.

- Taxes/regulations (64 per cent) and wages (51 per cent) were identified as the largest cost constraints facing BC small businesses.

Affordability Crisis in British Columbia

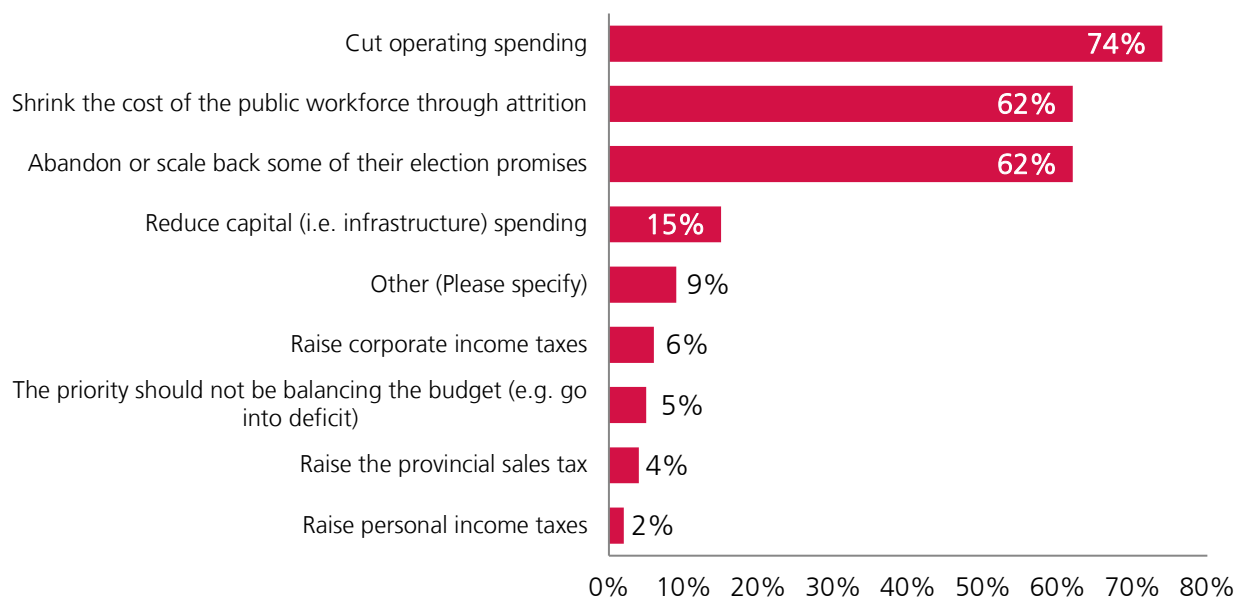
There has been a lot of public discourse over the past few years about the affordability crisis facing BC residents. That same crisis also faces entrepreneurs in the small business sector. The cost of doing business in BC has sky-rocketed due to policy changes and rising operating expenses, such as lease costs and property taxes. In following sections, this submission will outline the burdens of some of these costly policy changes. But it is important to first understand the small business perspective on the province's agenda.

The BC government has forecast a budget surplus over the next three years. Small business owners strongly support achieving this objective. While the government has voiced their commitment to balance the budget, doing so will be a challenge while following through with campaign commitments. Entrepreneurs believe costly new policies should not be implemented at the expense of a balanced budget.

Small business owners believe balancing the budget is an important task; they also have some ideas on how that can be achieved. Seventy-four per cent of business owners believe the provincial government should cut operating spending to help maintain a balanced budget (see Figure 2). Business owners understand there needs to be sufficient revenues to provide

Figure 2:

How should the BC government balance the budget? (Select as many as apply)



BC Provincial and Municipal Survey, January 2018. n=692

essential services to British Columbians. However, ensuring the budget is balanced means the government must spend within its means, and not impose excessive costs on taxpayers. Trimming down on election promises is supported by 62 per cent of business owners. With a projected \$54 billion budget estimate for the 2018/19 fiscal year¹, surely there are areas the provincial government could look to scale back on costs and cut operating spending.

Policies by all levels of government have compounded the affordability issue, with the provincial government in BC at the forefront. Some examples of policies negatively impacting business affordability include:

- The Employer Health Tax, which takes effect on January 1, 2019, will impose a new payroll tax of up to 1.95% onto employers in effort to replace MSP premiums;
- Between September 2017 and June 2021, the minimum wage is set to increase 34% from \$11.35 an hour to \$15.20;
- Starting in 2018, the carbon tax in BC is set to increase \$5 per tonne annually until 2021;
- Potential changes to Employment Standards and the Labour Code are on the horizon, and may create less flexibility for smaller employer and their employees;
- A universal daycare plan for BC which has a large cost and could hurt BC's fiscal situation;
- Property taxes, at both the provincial and municipal level, continue to place an unfair burden on small businesses²;
- Federal tax changes are being considered that could have negative implications for many small businesses;
- Canada Pension Plan (CPP) payroll costs will increase by 20 per cent starting in 2019; and
- An increase to general corporate income taxes.

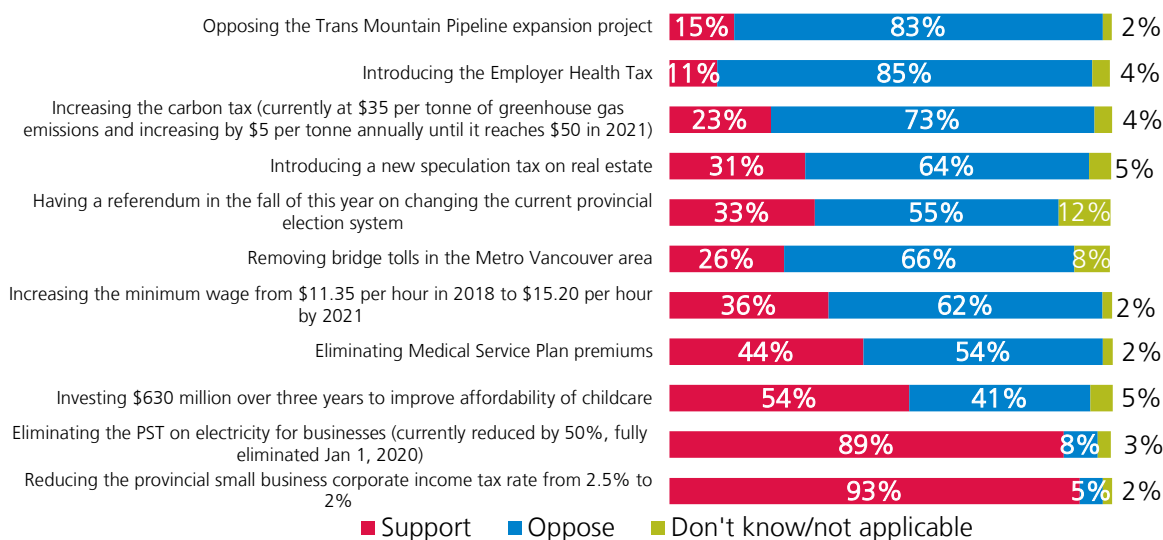
Over the past year, the province has done more harm than good for small and medium-sized businesses. Figure 3 shows a list containing many recent decisions that have impacted small business either directly or indirectly. It is important to note that there is significantly more policies that are opposed than supported. This is why it is essential that moving forward the provincial governments ensures new policies help small business owners rather than harm them.

¹ Budget 2018, Budget and Fiscal Plan 2018/19 and 2020/21, British Columbia https://www.bcbudget.gov.bc.ca/2018/bfp/2018_Budget_and_Fiscal_Plan.pdf

² *British Columbia Big Municipalities Have Major Property Tax Imbalance (2016) and BC School Property Tax: Province Failing Small Businesses (2016)*

Figure 3:

The BC government has announced several new spending priorities, tax changes, and policies in the past year. For the following new government policies, please indicate the extent to which you support or oppose. (Select one for each line)



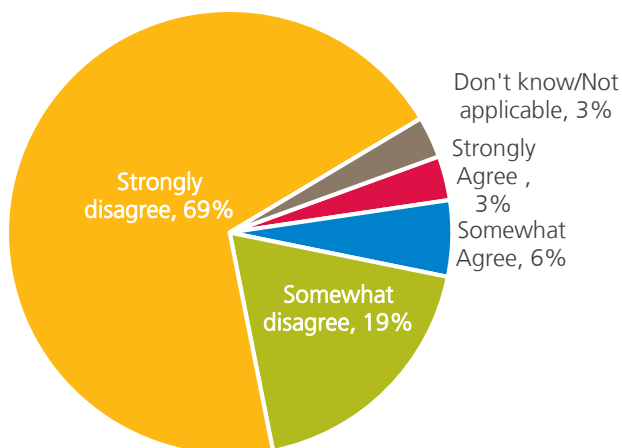
BC Government One-Year Anniversary Survey, June 2018. N=833

Provincial Leadership

It is the provincial government's duty to listen to British Columbians, and that includes the voices of independent business owners. Analysing new policies through the lens of small business is essential to understand the realities they face every day. CFIB was pleased with the government's appointment of the Small Business Task Force and we look forward to the recommendations it presents. Unfortunately, in recent survey data, business owners indicate they do not believe the provincial government understands the realities facing their business (see Figure 4). This submission will present some key areas where the government should provide support to help improve the climate for small business; that includes accepting the fact that business owners are facing the same affordability crisis as other British Columbians.

The following sections address some of the policies that have stifled small business confidence across British Columbia. Along with addressing the pitfalls, we provide solutions that are better suited to support small businesses, while also dealing with the policy's overall goal.

Figure 4:

The current provincial government understands the realities facing my business

BC Government One-Year Anniversary Survey, June 2018. N=833

Employer Health Tax

In its February budget, the BC Government proposed a new \$1.9 billion per year Employer Health Tax (EHT), effective January 1, 2019, to replace the revenues lost from the elimination of the Medical Service Plan (MSP) premiums for individuals and businesses.

The government has made several claims about the cost, impact and scope of the new payroll tax. This policy paper tests these assertions and provides better accuracy and clarity where needed. For instance³:

Government assertion: The new tax will impact a small number of businesses

REALITY: It will impact over 60,000 businesses, mostly small ones

Government assertion: The tax will mainly affect big businesses

REALITY: The average small business owner eligible for the tax will be on the hook for a new \$15,429 annual tax (based on CFIB survey data)

REALITY: 44 per cent of small businesses with a payroll will be impacted (based on CFIB survey data)

³ CFIB Proposed Employer Health Tax Hurts the Health of BC's Businesses <https://www.cfib-fcei.ca/sites/default/files/2018-04/Proposed%20Employer%20Health%20Tax%20Hurts%20the%20Health%20of%20BC%E2%80%99s%20Businesses.pdf>

The BC government appointed a MSP Task Force to provide non-partisan recommendations, informed by research and meetings with stakeholders, on the best method to replace MSP revenues. Before examining some issues with the tax itself, it is worth reflecting on what the Task Force recommended.

The Task Force made preliminary recommendations on February 1, 2018, with the promise to provide full recommendations to government by March 31. At the time of creating the EHT, the BC government had not yet received the final recommendations of the Task Force.

The two key preliminary recommendations made to the BC government were to⁴ :

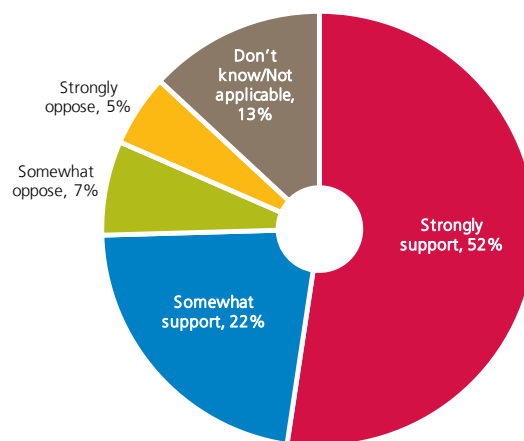
- Implement new taxes only when the MSP was fully eliminated;
- Implement a mix of taxes (e.g. personal income tax; payroll tax; excise taxes on unhealthy products) to replace the forgone revenue from the elimination of the MSP premiums.

Unfortunately, both of these recommendations were ignored in the BC government's 2018 budget. To ensure there is no double taxation in any fiscal year, the BC government should follow the Task Force's recommendation and only implement any new tax in 2020 once the MSP is fully eliminated. Small businesses strongly support this (see Figure 5).

In addition, CFIB recommends several other improvements to the EHT that would lessen the burden on small business owners. If the government is going to go forward with an EHT, they need to go back to the drawing board. To help reform the tax, CFIB is providing seven recommendations to fix the EHT. These recommendations have been informed through research and surveying the small business community in BC.

Figure 5:

Introduce the Employer Health Tax only when the MSP has been fully eliminated (e.g. Jan 1, 2020)



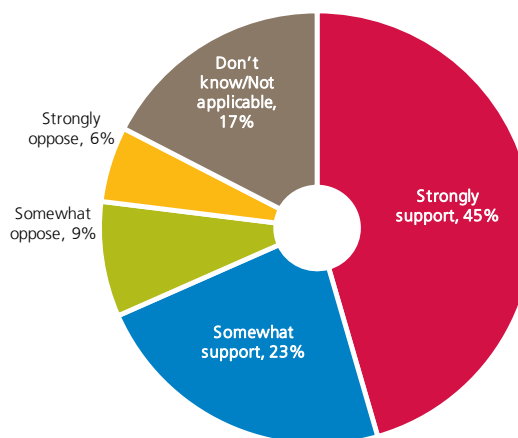
Source: CFIB, Municipal Election and New Provincial Employer Health Tax Survey, April 12-23, n = 768.

⁴ See MSP Task Force, Preliminary Recommendations, <https://engage.gov.bc.ca/app/uploads/sites/247/2018/02/MSP-Task-Force-Interim-Report-Final.pdf>

- Increase the small business exemption (e.g. from \$500,000 in payroll to at least \$1.25 million);
- Create a more even split between businesses and individuals, such that businesses are not having to absorb the majority of the cost to replace MSP revenues;
- Tie the payroll thresholds subject to the Employer Health Tax to inflation;
- Ensure the tax is as easy as possible to administer;
- Exempt employees 18 and under from the EHT calculation of a business' payroll;
- Phase in the Employer Health Tax *only* when the MSP has been fully eliminated (Jan 1, 2020).

Figure 6:

Please indicate the extent to which you support or oppose increasing the business payroll exemption for the Employer Health Tax (e.g. up to \$1.25 million, from \$500,000)



Source: CFIB, Municipal Election and New Provincial Employer Health Tax Survey, April 12-23, n = 768. Preliminary results.

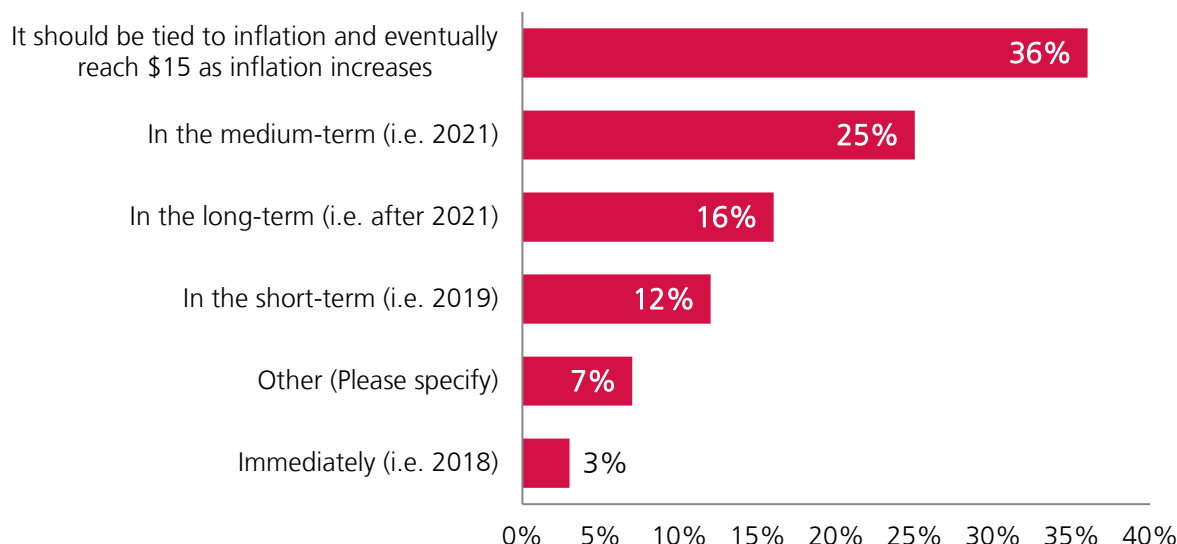
Minimum Wage

Earlier this year, CFIB surveyed small business owners on the minimum wage reaching \$15 an hour. Results overall indicate support for gradually increasing the minimum wage; however, evidence is clear that getting to \$15.20 by 2021 is far faster than what the majority of small business owners support (see Figure 7). At least 52 per cent of small business owners believe the minimum wage should reach \$15 after 2021 (36 per cent believe it should be tied to inflation and eventually reach \$15 as inflation increases, 16 per cent believe it should reach \$15 after 2021). The timeline most supported by small business owners is to tie minimum wage to inflation, and eventually reach \$15 as inflation increases (36 per cent in favour). Evidently, the provincial government's agenda to reach \$15.20 by 2021 is not aligned with the views of small business owners.

In fact, small business owners believe there are better and more targeted ways to support low-income individuals. Eighty-two per cent of entrepreneurs believe the government could better help by investing in training to help individuals working in entry-level jobs upgrade their skills. This is not to say that small business owners are against paying their employees fair compensation. Eighty-three per cent of entrepreneurs agree that the minimum wage should be legislated with fixed increases that are tied to inflation (see Figure 8). This protects minimum wage earners' buying power, provide certainty for entrepreneurs about the changes that are

Figure 7:

How soon do you think the minimum wage should reach \$15 an hour? (Select one answer only)



Source: CFIB BC Provincial and Municipal Survey, January 2018. n=692

coming, and would take out some of the politics that surrounds adjustments to the minimum wage. The government should look at other ways to target support for those low-income earners who are stuck at minimum wage, such as more effective training assistance or additional tax relief.

Speculation Tax

Two out of every three business owners across BC oppose the provincial government's proposed Speculation Tax, according to survey results recently released by CFIB.

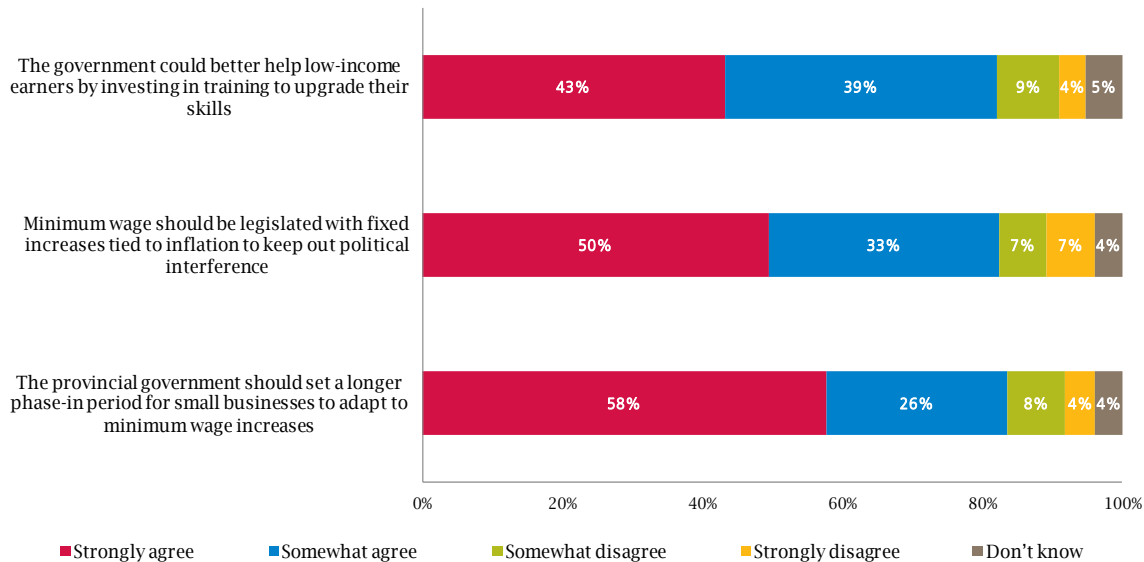
With enabling legislation expected this fall, the Speculation tax will be applied on properties which are not the primary residence of the owner and are not occupied by a tenant for at least half the year. The tax rate for properties is 0.5 per cent in 2018, but will jump in 2019 and onward. BC residents will pay 0.5 per cent, other Canadians will pay 1 per cent, and non-Canadians will pay 2 per cent.

CFIB believes this tax on vacant property and new development will kill jobs and hurt local economies. There has already seen a major chill go through the home building and tourism sectors, especially in places like the Okanagan. In a survey conducted from June 13th to 26th, CFIB asked business owners if they support or oppose the introduction of a new speculation tax on real estate. The findings, based on 833 responses, show 65 per cent of business owners oppose the tax (see Figure 9). Opposition to the tax was even stronger in the Okanagan region with 74 per cent opposing the tax and just 23 per cent supporting it. Three per cent were unsure.

Business owners understand the government is trying to address important issues related to housing affordability. Despite its name, however, the proposed tax won't just target foreign speculators. Its' effects in the tourism industry is going to be a direct hit to many BC entrepreneurs and other property owners. CFIB believes there are better alternatives, and that the provincial government should not go forward with the proposed speculation tax.

Figure 8:

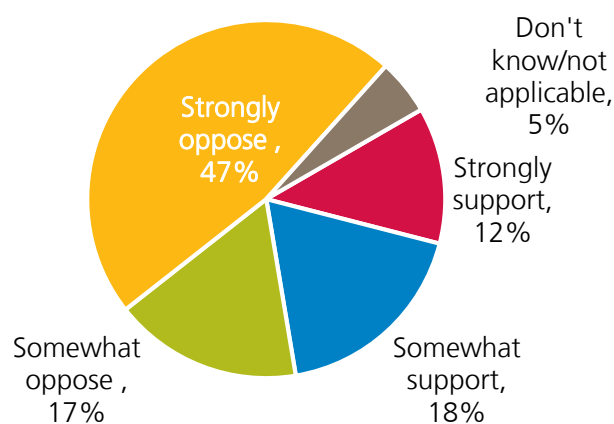
To what extent do you agree or disagree with the following statements on minimum wage increases?



Source: CFIB BC Pre-Budget and Minimum Wage Survey 2017, September 2017, n=735.

Figure 9:

To what extent do you support introducing a new speculation tax on real estate?



Source: CFIB BC Government One-year Anniversary Survey, June 2018. N=833

Reduce Red Tape

Businesses and consumers alike are affected by red tape. Government rules, permits and paperwork are involved in everything from renovating a home to applying for a business license. Red tape hurts productivity by forcing businesses to spend a substantial percentage of their time dealing with paper work, taking them away from what they should be doing, which is building their business, creating jobs, and growing the economy.

BC’s “net zero” regulation policy has served both practical and symbolic purposes: it has focused government’s attention on the challenge of capping and reducing the amount of red tape, and encouraged careful scrutiny of each new proposed rule to determine if it is actually necessary. These effects have been essential to the government’s 47 per cent reduction in the number of regulatory obligations since 2001.

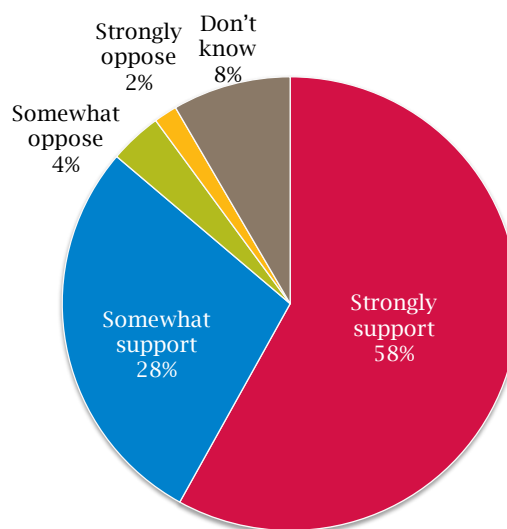
It also underlines the government’s determination to further reduce red tape, and continues to send a powerful signal to the business community that the government considers red tape reduction to be a major priority.

However, to continue to take the lead on the fight against burdensome red tape, the provincial government would be well-served to enshrine the one-for-one rule into law. By legislating that for each new regulation another one of equal weight must be eliminated, the province will ensure the burden of red tape burden will not increase over time.

Putting the “net zero” policy into legislation will safeguard the critical end-goal for overall red tape reduction to endure. Nearly 60 per cent of small businesses strongly support this policy, and 86 per cent overall indicate some level of support (see Figure 10). Barring any legislation, our hope is the government will, at a minimum, extend the policy past January 2019.

Figure 10:

How supportive or opposed are you of legislating the cap of provincial regulations through the one-for-one rule?



Source: CFIB BC Pre-Budget and Election 2017 Survey, September 2016, n=786.

Streamline the PST

In a survey conducted in 2016, we asked members how the transition back to the PST has impacted their business. Two-thirds said they were negatively impacted, 22 per cent said there was no impact, and only 11 per cent reported it had a positive effect (see Figure 11). To help improve BC business competitiveness, the government must look at ways to streamline the PST.

CFIB was encouraged to hear the new government will be phasing out PST on electricity sales starting October 2017, and eliminating it completely by 2019. This is a step in the right direction to create an environment where small businesses can thrive. However, action cannot stop here. Small businesses are still intensely keen for the government to address the problems with the PST.

CFIB presented to the Tax Commission on September 14, 2016 and offered ideas on how to improve BC's tax environment, particularly with respect to the PST. While reduction of the PST rate is supported by business owners, there are also other mechanisms to alleviate PST costs and headaches.

Both the 2016 Taskforce on Tax Competitiveness and 2018 MSP Taskforce recommended the BC government reform the PST system to reduce the negative incentives it places on business investment⁵.

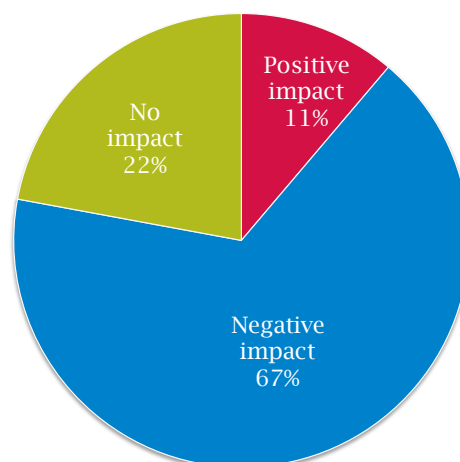
To remove this barrier inherent in the current system, CFIB believes the best way to fix the PST is to gradually phase in a PST tax credit on *all* business inputs, as the budget allows.

Some of the advantages of this approach are that it is:

- Simple and easy to communicate;
- Broadly-based;
- A strong signal to businesses;
- Able to be gradually phased in (as the budget allows); and
- Possible to piggy-back off of the data businesses already submit for GST purposes.

Based on the estimates in the 2012 Expert Tax Panel report, immediately implementing a 100 per cent tax credit on business inputs is not feasible based on current fiscal realities.

Figure 11:
What type of impact has the return to the PST/GST system had on your business?



Source: CFIB BC Pre-Budget and Election 2017 Survey, September 2016, n=786.

Table 1:
Phasing in a PST input credit

Per cent refund for PST on business inputs	Cost (Millions)
10%	\$ 326
20%	\$ 652
30%	\$ 977
40%	\$ 1,303
50%	\$ 1,629

Source: estimates based on data in the Report of the Expert Panel BC's Business Tax Competitiveness, 2012

⁵ MSP Task Force, Tax Reform Proposals, March 2018
https://engage.gov.bc.ca/app/uploads/sites/121/2018/07/MSP_Task_Force_Final_Report_March_2018.pdf

However, allowing it to be gradually phased-in would provide some immediate tax relief on business inputs, and allows the credit to be increased over time as the provincial government's fiscal situation permits (see Table 1). Small business owners overwhelmingly support this idea (see Figure 11). The PST input tax credit will help make BC's effective tax rate on new investments more competitive with other Canadian provinces.

PST Tax Credit

Additionally, business owners support the 2012 Expert Panel on Tax Competitiveness' specific recommendation to introduce a refundable investment tax credit equal to the PST paid on machinery and equipment, claimable over two years.

The cost of such an Investment Tax Credit, if fully implemented in the first year, is estimated at roughly \$500 million. Clearly, this too is a recommendation that should only be considered within a balanced budget framework.

Regardless of which method the government selects to remove the disincentive on business investment, it is clear that action needs to be taken to mitigate the negative impact of the PST on BC's economic competitiveness.

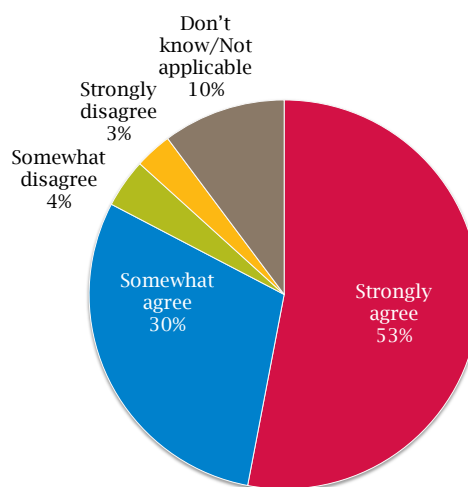
CFIB is asking the BC government to commit to implementing in the next budget either the phased-in PST tax credit on all business inputs *or* the tax panel's recommendation to provide a tax credit on business equipment and machinery investments, provided it can be done within the framework of a balanced budget.

Another area where the government can improve the PST is by bringing back all the customer service standards that once existed in the Taxpayer Fairness and Service Code. These include:

- Responding to general email inquiries regarding sales, hotel, fuel or tobacco tax within two business days of receiving all of the necessary information.
- Responding to complex email inquiries and written rulings on sales, hotel, fuel or tobacco tax issues within 20 business days of receiving all of the necessary information.
- Registering sales or hotel tax accounts within two business days of receiving all of the necessary information.

Figure 12:

The BC government should introduce a PST tax credit for business inputs, as it becomes affordable (i.e. without government going into deficit)



Source: CFIB BC Pre-Budget and Election 2017 Survey, September n=786.

- Have audit completion time of at least:
 - 75% (April 1, 2006 to March 31, 2007)
 - 80% (April 1, 2007 to March 31, 2008)
 - 85% (April 1, 2008 to March 31, 2009)
 - 90% (April 1, 2009 to March 31, 2010)⁶
 - Concluding sales, hotel, fuel, or tobacco tax audit within 20 business days of a taxpayer agreeing with the audit results.
 - Responding to correspondence sent to the Deputy Minister and Assistant Deputy Minister within 14 business days of receipt.
 - Providing the right to receive an email anytime and be accessible by telephone from 8:30a.m. to 4:30 p.m., Monday through Friday (except holidays).
 - Allowing for Deputy Minister Information Reviews to provide a written decision within 30 business days of receiving all of the necessary information.

Avert Unsustainable Property Tax Growth

Time and again, CFIB has heard from its members that one of the most fundamental concerns they have is the amount of property tax they are required to pay. Each year, municipalities and the province set tax rates for each property tax classification⁷. Several factors are considered, but generally municipalities and the province set a target for total property tax revenue they want to raise and then set a specific level of taxation for each property classification.

While setting a target for each group to pay may make sense, it should be linked to something reflecting their relative size. The natural link to determine how much each property classification group should pay is to associate the tax share to the amount of the total property assessment each class makes up.

In Figure 13, the left diagram represents what would be a fair commercial share – the taxes paid are reflective of their assessment share. However, the diagram on the right is the reality in BC: despite only making up a small portion of the assessed value (i.e. making up a much smaller assessment base to pay the taxes), business owners are on the hook for a disproportionate amount of the taxes actually paid.

If a municipality is charging a specific class, such as commercial, a larger share of the total property tax bill than their share of the property assessment pie, the municipality and province are effectively demanding them to take on an uneven, disproportionate and unfair amount of the total taxes paid to operate that local government. Unfortunately, this phenomenon is currently happening across British Columbia, to varying degrees. In practice, this results in

⁶ These dates are from the original code. When the code returns, these dates need to be updated.

⁷ There are 9 property tax classifications: Residential (Class 1), Utilities (Class 2), Supportive Housing (Class 3), Major Industry (Class 4), Light Industry (Class 5), Business and Other (Class 6), Managed Forest Land (Class 7), Recreational Property (Class 8) and Farm (Class 9). This report focuses on Class 6.

business owners paying a tax rate on their property that is several times higher than what residential property owners pay.

The provincial government has an opportunity to rectify this imbalance and help make operating a small business more affordable by reducing the provincial school tax rates on commercial property. In order to close the gap on the property taxes the provincial government has control over – i.e. the school tax – it will have to acknowledge their responsibility, and take action. The province also has the ability to implement a maximum

cap on what businesses pay compared to residents for property taxes. In a survey conducted last year, sixty-nine per cent of small business owners indicated that there should be a maximum cap, of say a 2 to 1 ratio, implemented (see Figure 14).

Figure 13
Setting an ideal property tax target

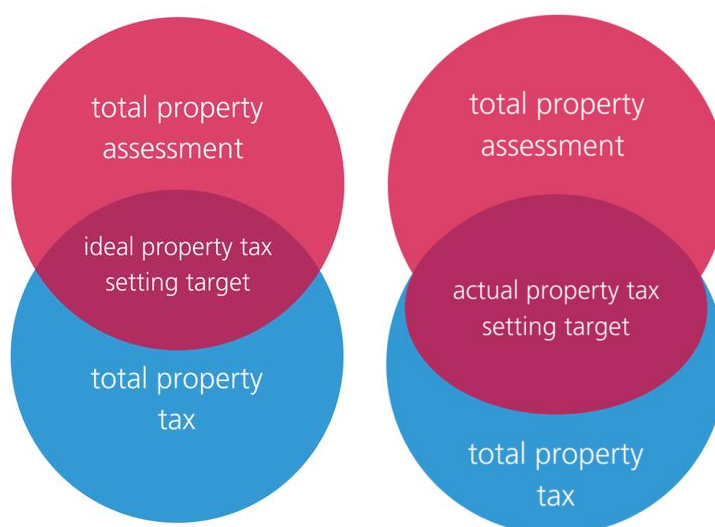
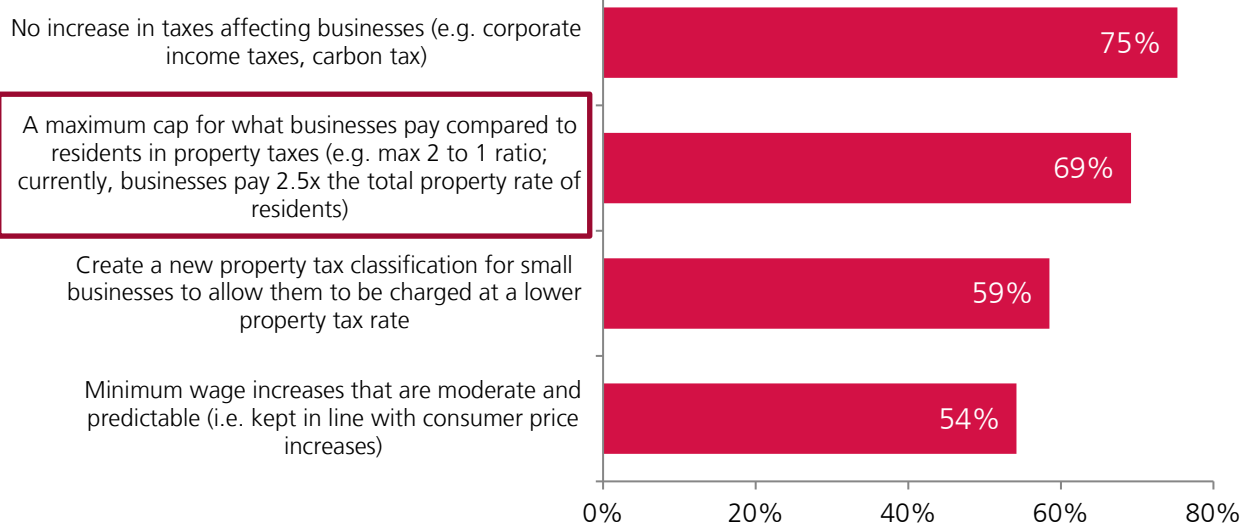


Figure 14:

Which of the following policy options do you think the political parties should adopt in their election platforms to help make running your business more affordable?



Source: CFIB BC 2017 Election Survey No.2, January 2017. N=876

Community Benefit Agreements

On July 16th, 2018, the BC government announced that all new major infrastructure projects will now be subject to Community Benefit Agreements (CBA). The stated objective of a CBA is to prioritize local employment, increase wages and create opportunities for apprenticeship training. As designed, it will also require workers on government projects to join specific trade unions.

Although, some of these objectives may appear to be laudable, the government needs to be careful. Unintended consequences could lead to sizeable tax increases for British Columbians, including business owners. CFIB projects the following obstacles with the current CBA objective in plan:

- As a result of the new Community Benefit Agreements (CBA), British Columbians could be paying significantly more for provincial infrastructure projects
- Using an estimate from a 1994 report analysing a similar BC infrastructure contract policy, labour costs for infrastructure projects could increase up to 37.6 per cent as a result of the CBA
- For the \$1.4 billion Pattullo Bridge project, for instance, the CBA could result between \$130 million to \$259 million in extra costs⁸. This translates to a family of four in BC paying an extra \$113 to \$216 for the project
- More broadly, all provincial infrastructure projects are estimated to cost \$25.6 billion over three years⁹. With a 37.6 per cent increase in labour costs, these projects could cost \$2.4 billion to \$4.8 billion more, or \$1,998 to \$3,996 for a family of four
- The BC government needs to ensure the new policy does not result in escalating costs for infrastructure projects and affirm the playing field is level to ensure cost-effective construction

⁸ Depending on the share of labour. These estimates are based on labour costs taking a share of between 25 per cent to 50 per cent of the total costs. Full calculations on the following page.

⁹ BC Budget 2018.

Table 2

Increased Labour Costs as a Result of the Community Benefit Agreements

	Pattulo Bridge	All Provincial Infrastructure Projects
Estimated Current Cost	\$1,377,000,000	\$25,600,000,000
Labour Share	25%	25%
CBA Increased Labour Cost	\$129,438,000	\$2,406,400,000
Cost for Family of Four	\$107.48	\$1,998.19
Labour Share	50%	50%
CBA Increased Labour Cost	\$258,876,000	\$4,812,800,000
Cost for Family of Four	\$214.96	\$3,996.38

Source: CFIB calculations.

BDO, *Cost Impact Analysis of the Vancouver Island Highway Collective Agreement, 1994*

BC Stats, *2017 Population, 2018*

BC Government, *Pattulo Project Project Overview, 2018*

Calculation for CBA Increase Labour Cost = Estimated current cost X Labour Mark-up (37.6%) X Labour Share. Cost for Family of Four = (CBA Increase Labour Cost/BC Population) X 4.

For all provincial infrastructure projects, pegged at around \$25.6 billion over the next three years, labour costs could increase by \$2.4 to \$4.8 billion – or \$1,998 to \$3,996 for a family of four.

To avoid seeing this level of cost over-run, the BC government must ensure the process does not replicate what happened during the construction of the Vancouver Island Highway in the 1990s. While including local community benefits from infrastructure projects is important, it must be balanced with ensuring projects remain fiscally responsible. It would be prudent to allow a competitive environment in the framework of the CBA in order to protect the taxpayers of British Columbia.

CFIB also fears the proposed CBAs could lead to union agreements with costly elements. Similar past agreements in BC had multiple layers of red tape enforcing onerous infrastructure union requirements. Agreements go as far as to state that the union's label must be clearly affixed to all modular camp units, which varieties of meat should be served in sandwiches, and how big bathrooms should be - just to name a few¹⁰.

Recommendations

Small businesses are facing a challenging economic climate, as affordability issues in BC continues to be major constraint, just as it is for other British Columbians.

We would like to thank the Select Standing Committee for the opportunity to share the views of our members, and for listening to our recommendations on how to strengthen BC's competitive

¹⁰ A community Benefits Agreement between BC Infrastructure Benefits Inc. and Allied Infrastructure and Related Construction Council of British Columbia, July 2018. <https://engage.gov.bc.ca/app/uploads/sites/331/2018/07/Community-Benefits-Agreement.pdf>

position. Implementing these recommendations will help the small business community in our province.

To summarize, our recommendations are:

1. Consider the externalities that new costly policies will impose on the small business community before introducing them;
2. Eliminate the Employer Health tax or, at a minimum, wait until MSP premiums are introduced before implementing AND increase the small business exemption threshold to \$1.25 million;
3. Direct WorkSafeBC's board to rebate at least some of the excess surplus; the system is currently \$6.4 billion dollars overfunded, and a rebate to employers would go a long way to supporting small business.
4. Continue to balance budgets and begin to reduce debt;
5. Continue to support the development of the LNG industry; CFIB was pleased with the recent LNG Canada announcement and the support, in principle, from the BC Government ;
6. Slow down increases to the minimum wage;
7. Legislate the one-for-one rule to control red tape;
8. Scrap, or at least reconsider, the Speculation Tax as proposed;
9. Commit to reviewing administrative burdens of the PST and revamp the Taxpayer Fairness and Service Code to include service standard times and the original "get-it-in-writing" policy;
10. Gradually implement a tax credit on all business inputs **or** implement the Tax Panel's Recommendation on business inputs;
11. Take the lead creating a fair property tax ratio between residents and businesses by adjusting the school tax rate for businesses; and
12. Do not require Community Benefit Agreements on new infrastructure projects.